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78 Beekman Street,  
New York City.

MR. WILLARD STRAIGHT, the President of the Association, has addressed the following letter to the Editor of the JOURNAL:

"In the columns of the JOURNAL I have read with great interest the able article by Mr. Lewis Einstein, entitled 'Japan at Tsingtau and American Policy.'

"While I disagree with him as to certain particulars, I find myself in accord with most of his critical analysis of our diplomacy in the Far East. I am particularly pleased that his article should have appeared at this time, as it affords an opportunity to refute categorically the statement, which he makes and which has probably been derived from an impression which I understand to have been prevalent in certain quarters to the effect that, in adopting a position which necessitated the withdrawal of the American bankers from the Chinese field, President Wilson was the 'dupe' of Wall Street.

"It is true that it would have been impracticable, if not impossible, for the American bankers to continue in the international combination with which they were associated at that time, if deprived of the support of their government; it is true that, as Mr. Einstein states, 'Chinese loan business' was not infrequently the source of annoyance and apparently without the prospect of any commensurate benefit, but it is untrue that the bankers concerned were anxious to terminate this enterprise, and it is untrue that 'Wall Street' concealed its gratitude to Mr. Wilson 'for rescuing it from an unprofitable contract.'

"I trust you will permit me to object to the statements mentioned and to the apparent insinuation with which they are accompanied."

Plainly, Mr. Einstein was misinformed when in referring to the participation of the American Syndicate in the Six Power loan he said: "The bankers, who had hitherto realized no advantages, were only too anxious at a time of financial stringency and darkened horizon to terminate an enterprise which had been the source of much annoyance without hope of commensurate benefit." It must be admitted that a certain looseness of statement was apparent in Mr. Einstein's treatment of this part of his subject. He very properly gives the bankers credit for having undertaken the work largely as the result of an appeal made to their patriotism. But he lays himself open to a less courteous retort than that of Mr. Straight when he credits these same bankers with an attitude toward

the proposed Chinese loan which made the President the dupe of Wall Street "perhaps more than he ever suspected."

THE entire question of the attitude of the Administration toward what has been called "dollar diplomacy" in China and elsewhere, is one whose frank and full discussion can do no possible harm, and may tend to remove some misconceptions calculated to interfere at the present time with the expansion of American trade. The country is still in doubt as to what is the precise attitude of the President and the Secretary of State toward American investments abroad. The fact may be recalled that the remarks which the Secretary of State made as guest of honor at the last annual dinner of the Association were on the whole reassuring, and seemed well fitted to encourage all legitimate effort to bring about in the President's own words "the most extended and intimate trade relationship between this country and the Chinese Republic." Mr. Bryan extended these remarks and made them a little more definite at the dinner of the Foreign Trade Convention in Washington, and as he is scheduled to speak on the same subject at the annual meeting of the Chamber of Commerce of the United States in Washington, it is just possible that the policy of the Administration in regard to the support which it is prepared to render to American bankers lending money to foreign Powers may find a more satisfactory definition than it did at the outset of President Wilson's term of office.

IN the address of the President of the United States Steel Corporation at the banquet of the Second National Foreign Trade Convention at St. Louis, which will be found on another page, there is an instructive reference to the close connection which exists between foreign trade and foreign loans. Mr. Farrell points out that while Europe has long been the world's banker, the necessity of financing the war operations of the belligerent nations has put an end, for the present at least, to any loans of considerable amount to Latin America, Canada, or the Near or Far East. Mr. Farrell argues that if we are to protect our existing trade, to say nothing of its future development, we must extend the aid which Europe is temporarily unable to extend, since otherwise the purchasing power of neutral markets may still further dwindle. Such loans having the effect of maintaining our trade and promoting a demand for American products, cease to be purely foreign investments, but are virtually domestic investments, the funds usually remaining in this country to pay for our exports to the borrowing nation. These are considerations with which it is to be hoped that both the President and Mr. Bryan will deal with some explicitness in the course of their addresses before the

United States Chamber of Commerce, for the time is unquestionably ripe to secure a very considerable expansion of the foreign commerce of the United States if our Government is ready to stand as close to the financial and commercial enterprise of its citizens in foreign countries as the governments of Europe have long been accustomed to do.

THE curtailment of its opportunities to secure money from abroad has had the beneficial effect of awakening the government at Peking to the necessity of utilizing some of its resources for raising money at home. The land tax of China can hardly be called a neglected source of revenue, but it is certainly one which is shamefully mal-administered. It brings in at present less than Tls. 53,000,000 a year, and it is the opinion of competent authorities that it could be readily made to yield seven or eight times as much. Sir Robert Hart calculated that the whole area of taxable land in China might amount to 4,000,000,000 now, which, on the basis of 200 cash per mow, and taking a tael as equivalent to 2,000 cash, should yield a revenue of Tls. 400,000,000. There is here a magnificent opportunity for increasing the financial strength of the Chinese Republic, but it is needless to say that it will be found a task of Herculean magnitude to overcome the popular opposition to anything that savors of increased taxation, and an equally difficult enterprise to overcome the tenacity with which each provincial government holds on to its own administrative powers.

For the eleven months of the calendar year, our exports to Asia show a decrease of some \$25,000,000—a percentage no greater, however, than the shrinkage recorded in the total export trade of the country. For the first time in recent years, the exports to Asia, in spite of their shrinkage, show a higher total than those to South America. Then, the exports to China, while \$4,000,000 less than they were in the corresponding period of last year, are more than a million in excess of the total for the eleven months of 1912. To Japan the exports show a shrinkage of one-third or \$18,000,000, while the imports from Japan maintain their normal rate of increase, being \$98,656,897, against \$86,966,930 for 1913. It will be observed that the shrinkage in our Chinese exports is most marked under the head of cotton cloths, and under this head there is indeed no perceptible elasticity in any of our chief foreign markets. The Philippines took \$1,800,000 of cotton piece goods more than China, but even here the export falls \$800,000 below that of 1913. The total exports of plain cloth during the eleven months reach only the insignificant sum of \$21,742,887, or nearly \$3,000,000 below the total for the eleven months of the previous year.

**Exports of Domestic Cotton Cloths, Mineral Oils, and Wheat Flour from the United States to China and Hongkong, during the eleven months, ending Nov. 30, 1913 and 1914.**

**EXPORTS TO CHINA.**

Months. 1913	Cotton Cloths. Yards.		Mineral Oils (Illuminating). Gallons.		Wheat Flour. Barrels.	
January.....	7,096,890	\$481,040	2,988,096	\$134,464	11,264	\$44,611
February.....	7,005,113	489,324	3,385,530	293,367	35,988	139,183
March.....	8,576,182	561,677	7,817,080	442,421	47,313	178,385
April.....	10,679,063	743,675	7,110,600	642,584	19,450	76,933
May.....	14,491,282	1,022,369	13,645,100	955,947	240	971
June.....	11,866,362	835,725	13,914,180	1,178,370	100	400
July.....	13,861,576	947,287	7,367,800	400,559	8	48
August.....	5,839,825	398,458	2,029,963	101,498	3,128	12,545
September.....	12,196,195	815,514	7,188,242	388,354	13,763	53,191
October.....	8,478,971	606,864	5,586,934	403,697	36,881	150,509
November.....	6,030,732	414,584	11,169,900	765,814	22,163	80,728
<b>Total.....</b>	<b>106,052,191</b>	<b>\$7,316,517</b>	<b>82,203,425</b>	<b>\$5,705,075</b>	<b>190,298</b>	<b>\$737,504</b>
1914						
January.....	5,834,057	374,844	5,862,678	550,580	20,438	83,928
February.....	5,917,505	386,094	3,933,710	365,668	9,128	37,567
March.....	3,480,246	234,926	10,357,055	761,109	6,842	25,543
April.....	7,774,295	523,534	10,576,471	850,158	1,192	4,960
May.....	4,649,948	343,630	6,672,558	633,491	863	3,825
June.....	5,039,603	353,991	13,673,612	986,760	2,565	11,277
July.....	3,291,763	263,090	16,200,906	1,035,214	2,940	11,819
August.....	354,756	28,435	.....	.....	1,636	7,182
September.....	115,112	10,279	9,872,856	473,218	5,567	22,635
October.....	1,866,093	110,507	4,130,181	280,692	9	38
November.....	1,104,675	116,896	6,367,859	287,009	1,125	4,650
<b>Total.....</b>	<b>39,428,053</b>	<b>\$2,787,252</b>	<b>87,647,886</b>	<b>\$6,223,899</b>	<b>52,395</b>	<b>\$213,424</b>

**EXPORTS TO HONGKONG.**

1913						
January.....	636,832	\$43,454	1,425,810	\$151,888	60,862	\$228,941
February.....	163,478	25,420	.....	.....	102,121	410,463
March.....	196,668	29,815	.....	.....	129,461	492,019
April.....	211,034	33,938	1,195,000	117,707	120,249	478,075
May.....	161,310	26,267	2,311,000	212,612	160,755	642,322
June.....	109,841	17,046	2,235,000	205,620	76,636	308,268
July.....	101,998	16,568	3,659,160	258,103	143,689	572,237
August.....	155,718	20,489	.....	.....	49,897	202,200
September.....	109,192	16,476	487,143	45,342	27,423	105,366
October.....	132,835	20,351	2,755,658	161,053	157,358	617,471
November.....	47,646	6,924	950,000	89,300	174,918	699,052
<b>Total.....</b>	<b>2,026,552</b>	<b>\$256,748</b>	<b>15,018,771</b>	<b>\$1,241,265</b>	<b>1,203,369</b>	<b>\$4,756,423</b>
1914						
January.....	26,947	4,210	3,069,936	154,129	156,240	630,482
February.....	37,817	5,925	2,313,350	137,351	45,483	182,177
March.....	25,151	4,034	60,770	6,182	84,138	328,602
April.....	34,782	4,823	2,591,000	145,570	37,677	148,345
May.....	68,994	10,245	1,650,000	74,250	19,915	76,043
June.....	22,030	3,856	1,706,300	170,630	52,982	202,709
July.....	5,612	1,588	2,301,531	207,341	118,225	452,024
August.....	8,249	1,157	800,000	70,800	22,540	86,240
September.....	4,516	1,263	.....	.....	54,154	212,662
October.....	7,297	1,290	2,169,434	108,472	59,653	244,467
November.....	11,609	2,131	4,927,319	232,632	96,126	423,315
<b>Total.....</b>	<b>253,004</b>	<b>\$40,522</b>	<b>21,589,640</b>	<b>\$1,307,357</b>	<b>747,133</b>	<b>\$2,987,066</b>

DEPARTMENT OF COMMERCE,

Bureau of Foreign and Domestic Commerce.

WASHINGTON, D. C., January 19, 1915.

### Imports of Tea and Silk into the United States for the eleven months, ending November 30, 1912, 1913 and 1914.

Imported from	1912.		TEA.		1913.		1914.	
	Pounds.	Dollars.	Pounds.	Dollars.	Pounds.	Dollars.	Pounds.	Dollars.
United Kingdom.....	9,882,507	2,952,472	11,934,582	3,448,909	12,549,171	3,465,356		
Canada .....	2,599,980	752,433	2,734,830	796,167	3,232,452	868,709		
China.....	24,585,670	3,398,712	17,392,380	2,394,005	20,557,298	2,829,995		
East Indies.....	11,933,123	1,960,390	8,539,713	1,433,869	10,688,929	1,813,022		
Japan.....	41,028,247	7,360,805	39,498,311	6,764,582	43,104,238	7,546,436		
Other countries .....	852,664	166,066	866,342	167,908	1,141,871	228,519		
Total.....	90,882,191	16,590,878	80,966,158	15,005,440	91,273,959	16,752,031		
RAW, OR AS REELED FROM THE COCOON.								
Imported from	1912.		SILK.		1913.		1914.	
	Pounds.	Dollars.	Pounds.	Dollars.	Pounds.	Dollars.	Pounds.	Dollars.
France.....	84,853	298,157	71,947	187,058	64,527	243,003		
Italy.....	2,313,852	8,441,687	2,250,059	8,815,796	1,778,948	7,893,273		
China.....	4,475,601	10,968,446	5,537,552	13,886,714	4,151,497	11,300,418		
Japan.....	15,158,833	49,140,840	16,700,108	54,713,465	17,792,256	64,639,785		
Other countries .....	145,437	476,877	275,321	999,222	193,326	764,744		
Total.....	22,178,576	69,326,007	24,834,987	78,602,255	23,980,554	84,841,223		

## MR. JAMES A. FARRELL ON FOREIGN TRADE

*Speech delivered by James A. Farrell, president of the United States Steel Corporation and chairman of the National Foreign Trade Council, at the banquet to the delegates to the Second National Foreign Trade Convention, Thursday night, January 21, 1915, at the Planters' Hotel, St. Louis.*

The National Foreign Trade Convention is concerned with the development of a greater and more prosperous future for American foreign commerce, and in coming to St. Louis, business men have gathered from all sections of the country. In the decades when a trans-Mississippi journey involved more effort than does one to the Far East to-day, St. Louis was one of the gateways that carried men of old far beyond the borders of our then industrial civilization. "Hope went before them and the world was wide." The successful development of the internal trade of the United States is the incentive for extension of foreign trade, helpful alike to agriculture, manufacturing, merchandising, transportation and investment.

The era of intensive domestic growth in which this city played so great a part has now carried us into another era of world commerce, and it is a favorable augury of the development of foreign trade that St. Louis products are now to be found in many of the markets of the world. The National Foreign Trade Council deems itself fortunate to have, in calling this convention, the cordial and effective co-operation of the Business Men's League of St. Louis, and to possess, in the membership of the Council, the ability and personality of its president, Mr. Sam D. Capen.

The activity of commercial and industrial organizations in the building up of foreign trade is nowhere better exemplified than in the efforts of the St. Louis Business Men's League in studying the possibilities of export trade. Their expedition to South America, followed closely by

that of the Boston Chamber of Commerce and the Illinois Manufacturers' Association, and the enterprise of the Chicago Association of Commerce, in establishing an exhibit of American manufacturers at Buenos Ayres, are commendable efforts in the practical promotion of trade.

The last National Foreign Trade Convention was held at Washington, in May, 1914, under the auspices of the American Manufacturers' Export Association, the American-Asiatic Association and the Pan-American Society of the United States. That convention responded to a strong sentiment for co-ordinated effort in the foreign trade activities of the nation. It was attended by several hundred delegates representing a large number of commercial and civic organizations. The program consisted of papers by recognized authorities on the most pressing problems arising in foreign commerce, and upon the opportunities presented in the world's markets. The proceedings of the convention which we are now attending will be of practical value in the consideration of problems confronting American exporters, especially in view of the European conflict, and our rights as neutrals under conditions sought to be imposed by belligerents in respect to our world trading.

What advantage or disadvantage the war will bring to us depends largely upon changes in industrial trade relations which cannot be forecasted. Meanwhile the interests of the United States are sufficient to warrant a proper respect for neutral commerce, and the United States will, in maintaining their trade at as high level as a just regard for belligerent interests permit, serve the larger and permanent interests of those not engaged in hostilities.

When one reflects on the complexities of foreign trade development, it loses its apparent simplicity, and we realize that the exigencies of war and present necessities of a situation that is unsettling to the ordinary course of com-

merce cannot be relied upon as a foundation for a future foreign trade that will be permanent.

Whatever may be the political outcome of the European war, changes of territorial lines or colonial domination, it is apparent that each of the belligerents now engaged will find it essential to vigorously pursue its foreign trade to repair the ravages to its domestic commerce, to provide labor to soldiers returned to peaceful pursuits and to ameliorate the burden of taxation. Diplomacy of the future as of the past will be intimately concerned with commercial aggrandizement, and it is of vital consequence to America's future position that advantage be taken of the present opportunity to exploit the products of American invention, enterprise, ingenuity and quality to establish a firm foothold in the markets of the world, which neither political effort, tariff discrimination or low prices can successfully assail.

Whether a belligerent government shall have a free hand in dictating the articles which it regards as contraband, or whether the equal concern of a neutral State with respect to its legitimate commerce is entitled to consideration, is an important commercial question involved in the conduct of war. It is not to be presumed that the practice of maritime warfare will be to substitute force for a disposition toward justice, as this would tend to the effect of continually increasing armament of each maritime power, so that when belligerent it may be better able to interfere with neutral commerce and when neutral to check interference.

There is no question of greater importance to the welfare of American industrial enterprise and labor than stimulation of commerce abroad, since extensive over-sea trade tends, under normal conditions, to stabilize domestic industry by insuring to manufacturers and producers a wider sphere of activity.

The National Foreign Trade Council is a body whose object is to co-ordinate and nationalize the foreign trade activities of the country. It consists of manufacturers, merchants, railroad and steamship men and bankers, representing all sections of the country and collectively standing for the general interest of all elements engaged in or affected by export trade. Its function is investigative, advisory and educational. The Council is, in effect, a national committee for the general welfare of our foreign trade, is non-political, non-partisan and devoted to the encouragement of sound national foreign trade policy. By reason of their association with diversified enterprise, and knowledge of the public interest in widely separated sections of the country, the members are able to bring to the Council information and advice to assist its deliberations concerning foreign trade development. The Council endeavors to co-operate with, supplement, and, so far as possible, co-ordinate the efforts of other organizations to extend our commerce, leaving to bodies already in the field the function of providing detailed information and advice to individuals, manufacturers, merchants and others regarding foreign trade opportunities.

When the Council was organized in June last, the ob-

vious task at hand was a campaign of education leading to a national realization of the fact that the welfare of foreign trade should be a matter of concern to every citizen, whether or not he is directly engaged in exporting or importing. Circumstances, however, relieved the Council of this task. The European conflict rendered the initial propaganda unnecessary, for one week of the war did more than ten years of academic discussion to convince the American public that foreign trade is a vital element in domestic prosperity. No doubt now remains that the nation desires, and is determined to see its foreign trade safeguarded and increased; differences of opinion relate only to method. All parties and all elements are united in patriotic co-operation for the common end.

Shortly after the beginning of hostilities the Council co-operated in the enactment of the shipping registry law, permitting the transfer to the American flag of foreign-built vessels when owned by American citizens, and also the establishment of a government bureau of war risk insurance.

Under the operation of the shipping registry act over 100 vessels have been transferred to American registry, and the protection of our neutrality thus given to the vessels, and to their cargoes. Some of the onerous restrictions of the navigation laws were suspended by executive order, in order partially to offset the increased cost of operation of ships under the American, as compared with foreign flags. It should be remembered that this modification is not a repeal of existing navigation laws, but merely a suspension. While there may be differences of opinion as to the proper policy of upbuilding the merchant marine, it appears to be generally recognized that so long as these restrictions are not legislatively repealed, the possibility of an enlarged American Merchants' Marine competing successfully with the ships of other nations in time of peace, will be a matter of slow growth since ocean transportation is an economic and competitive problem.

There is a theory that Latin-America must turn to the United States for the goods customarily supplied by the belligerent nations, whose exports are partly or wholly suspended. To the public imagination, following the opening of the Panama Canal, Latin-America and the South American Republics particularly, appeared to be an *El Dorado*. Too little weight is given to the fact that the war, which for the time being eliminates half of Europe as a source of supply, likewise curtails Europe's consumption of South American products. South American purchasing power will eventually improve with increased exports and imports, but American manufacturers and merchants embarking for the first time in foreign trade should be prepared to exercise patience and persistence in their efforts, and results will eventually be realized.

Co-operative foreign selling organizations, economizing for their different members the expense of direct representation, seem to offer, supplementary to dealings through established commission or trading house, the only direct method whereby the smaller manufacturers or merchants may build up their over-sea trade, but, since there is

great difference of opinion as to the legality of such combinations, the improvement of the position of the smaller manufacturers is now being made the concern of larger companies, whose facilities and knowledge of the problems attendant on foreign trade development are at the disposal of the smaller producers, appreciating as they do that any increase in trade redounds to the benefit of all.

To no members of the business community should the benefits of a truly national trade policy appeal with such force as to those who, for lack of a better term and in a comparative sense only, may be termed the smaller manufacturers and merchants. It is indisputable that the future welfare of our foreign trade largely depends upon the participation of an increasing number of industries. To open the way for the smaller manufacturer more confidently and effectively to enter the great markets and to diversify our trade with them is one of the primary objects of the National Foreign Trade Council, and for this reason the subject was given a prominent place on the program of this Convention, and to this end was sought the co-operation and presence here of the experts of the Department of Commerce so efficiently administered by that loyal friend of American foreign trade, the Hon. William C. Redfield.

There can be no doubt that the war will cause great changes in the currents of world finance, which renders doubly fortunate the fact that the old National Banking Act has been replaced by the Federal Reserve Law, drawn down to meet the needs of our international trade. The privileges extended by this act, enabling national banks to establish foreign branches, and to deal in acceptance based on transactions in over-sea commerce, will have a far-reaching influence, the beneficial effects of which depend upon the manner of their employment and in the provision of adequate and efficient American banking facilities, not only for settlements but to encourage investment. The recent issuance in the American market of \$15,000,000 of Argentine government notes is especially noteworthy.

Europe has long been the world's banker, but with the necessity of financing the war operations of the belligerent nations, the heavy loans to Latin-America, Canada, the Near and the Far East have been discontinued. Therefore, at the moment when we are looking to these neutral markets for expansion of exports, the purchasers there are turning to us not only for credits but for loans as well.

If we are to protect our existing trade, to say nothing of future gains, we must extend this aid, for otherwise, deprived of Europe's financial support, the purchasing power of neutral markets may still further dwindle. Our loans, having the effect of maintaining our trade and the demand for American products, cease to be purely foreign investments, but are virtually domestic investments, the funds usually remaining in this country to pay for our exports to the borrowing nation. Although the United States is classed among the debtor nations, it is noteworthy that large American investments, aggregating upward of \$600,000,000, have been made in Canadian indus-

tries, exclusive of agriculture, with the result that Canada is our second best customer, buying more from us than she does from the United Kingdom, whose goods enjoy a tariff preference.

Foreign trade expansion, while a matter of individual enterprise, requires co-operation in its development, and this was strikingly demonstrated in the formation of the gold pool by banks in all sections of the country to relieve foreign exchange, and other measures to relieve abnormal conditions during the first few months of the war, and it was these forms of governmental and business co-operation which extricated the business of the country from serious embarrassment. This was a true nationalization of foreign trade policy, for these things could never have been accomplished if prompt and effective co-operative measures had not been taken to relieve the country as a whole, and the South particularly, from the onerous financial conditions and shipping congestion consequent upon the sudden outbreak of war. If our resources can be thus effectively mustered for such crises, the possibilities are obvious of a similar co-operation for extension of foreign trade.

The United States has a long path to travel before it becomes a world-trading nation in the fullest sense of the word. Nevertheless, we do possess the resources, the energies, and at last the public and governmental inclination.

The principle of the Nation's task might well be embodied in the following axiom for our governmental and business guidance:

"Foreign trade, being a vital element of domestic prosperity, concerns every citizen and should be fostered by governmental, commercial, transportation and financial co-operation under a national business policy designed to muster every resource in its maintenance and development."

#### MR. WELDING RING ON THE SHIPPING SITUATION.

*Delivered at the National Foreign Trade Convention at St. Louis.*

I had not anticipated that Secretary Redfield should precede me; in fact, I did not know that he was to speak on the subject at all. I had prepared a paper on this subject, but I find that it will be necessary to cast that entirely aside and endeavor to point out some of the fallacies of the government's position in regard to supplying the tonnage. Gentlemen, it cannot be done. At the present time I venture the assertion, and I think I will be supported by every practical man in the shipping business, that every available steamer suitable for carrying cargoes is employed to its utmost capacity at the present time. There are no idle steamers, except those that cannot be employed. I refer, of course, in the first place, to the German steamers. They are out of business, and that means a very large proportion of the carrying capacity

of the world. I also refer to the large number of English steamers that are interned in the ports of Hamburg and Bremen and are unable to do any service; also to the very large number of English steamers, French steamers, and some Russian steamers that are being employed for transport purposes and for hospital ships, all taken out of the carrying trade of the world. And a very careful estimate of the amount of tonnage is equal to five million tons practically useless, so far as carrying cargoes is concerned at the present time.

Secretary Redfield in his very eloquent address failed to tell us where he is going to get those steamers to carry cargoes. I am in the shipping business at both ends of it; I am a shipper of goods; I am interested in a steamship company; and I think I know from a practical point of view quite as well as Mr. Redfield does from a theoretical point of view. (Applause.) I know the conditions today are as follows: In a certain line of trade we were chartering steamers on a basis of 32 shillings and 6 pence per ton on the dead weight capacity. We have offered 85 shillings for steamers and there are none procurable, and we can't get them. Why? Because they are all of them engaged. Another and very important reason why we haven't tonnage sufficient for the cargo of the United States and to carry all this tonnage that is ready to go abroad is this: that in Genoa alone at the last report there were fifty-four steamers unable to get unloading berths to discharge their cargoes. Some of them had been there a month, some of them longer, and some of them did not know when they would get out. Of what use are those steamers in the carrying capacity of the world? In Havre, and the Secretary referred to that because he was unable to ship any of his grass seed to Havre, even at an advanced rate, I saw a cablegram: "Send no more steamers to Havre; we have no means of affording them space to discharge their cargo and no means of securing sufficient help to do it. The men have gone to the war, and we cannot handle the cargo. Send no more tonnage here." And some steamers have been in Havre two months undischarged, lying in the harbor and unable to get alongside the discharging berth. Are they of any use in the carrying capacity of the world at the present time?

In the port of London, Mr. Franklin, vice-president of the International Mercantile Marine, showed me a cablegram mentioning the names of steamers that had been there from fifteen days to a month and a half, asking when they would be discharged, and they cabled back, "We don't know when we can send these steamers to you." Now, gentlemen, that all takes up a vast amount of the carrying capacity of the world. How is that vacancy going to be supplied? Mr. Redfield says he knows of steamers that can be bought. I wish he said chartered, because I would take off-hand five steamers at the present time and pay enormous rates for them if I could get them. I cannot get them.

Mr. Redfield says the government can do it. Will a ship owner sell any more readily or charter any more readily to our government than he would to an individual or to a firm or corporation? I take it not, and yet any number of shipping lines in New York are ready and anxious to take these steamers.

Now, where is the congestion of freight? and that is a very important point that Mr. Redfield did not touch upon. The congestion of freight, gentlemen, is only to Europe; it does not apply to the other parts of the world.

Contrary to the letters Mr. Redfield read here, I want to make the statement, verified by my inquiry among shippers in New York, that there has been an ample supply of tonnage ever since the war commenced for South American ports. Quite a number of steamers have been withdrawn from those lines because of the want of cargo to fill them. Mr. Barber, of the Barber Line, told me within ten days that the last steamer they sent a short time ago to Buenos Aires they had to send down to Norfolk and complete her cargo with coal. They couldn't get cargo sufficient for the several ports in New York. I think I will be confirmed in that by every steamship line agent operating in New York. Those are the conditions. On the west coast of South America a number of steamers have been withdrawn because of not sufficient freight to offer and the freight rates have not been advanced to an unreasonable degree. Now, as to these very high freight rates, I want to point out to you, gentlemen, where they come in. The freight rates they mention as being so high, of course, are all to European ports. A gentleman just handed me a statement of a steamer in which he is interested, chartered for a European port at an advance of 300 per cent. She went over there and is still there, at an expense of \$400 a day, in addition to which there is the continuance of the war risk insurance, and she has got to come home in ballast, and that steamer at an advanced rate of 300 per cent. will show a loss of \$20,000 when she arrives in New York. What we would like to have is something we cannot get; we would like to have this tonnage, but it is not to be had, and the government cannot get it. Suppose the government invested 25 or 30 millions in tonnage, which would represent from 40 to 50 first-class steamships. You know, or at least it is reported as a fact, that from 10 to 20 million bushels of wheat have been sold every week for export trade to Europe. It would take 25 of those steamers that the government purposes purchasing to carry that wheat alone, and this is an exceptional time because they require so much wheat and provisions on the other side. Thirty million dollars would be a mere drop in the bucket. They propose to establish a department in Washington, the Secretary of the Treasury and Secretary of Commerce and Postmaster-General, I believe, to handle this matter, and do what men who have been in the business for a lifetime are unable to do. I say to you, gentlemen, I say it plainly, that the conditions are abnormal; that we are up against an emergency condition, and the government cannot help us out, and we must go along and do the best we can until conditions change. I think I may say with perfect safety that the Chamber of Commerce of New York represents the largest body of shipping merchants in this country, the largest body of export merchants, the largest number of commission merchants, and only last week they voted unanimously against the government proposition to buy or operate steamers, and I think they are right in doing so. It is not more boards in Washington that we want, but an opportunity for individual effort to do in this country and not depend upon Washington to help us out when we get into a hole. I think you will admit that not only in regard to shipping, but in very many other lines. I see you have your mallet in hand and my time is up. I wish I could make it more clear now, but I want to state from my point of view the government proposition is unworkable, would give us no relief whatever, and I hope Congress will not pass it.



## GOVERNMENT OF THE PHILIPPINES

*Introductory statement made by the Secretary of War before the Committee on the Philippines,  
United States Senate.*

What the United States should do concerning the Philippines can only be determined properly by keeping two things constantly in mind: One, the duty of the United States to itself; and the other, its duty in view of the pledges and assurances which it has made to the Filipino people.

The United States has assumed responsibilities with respect to the Philippines, which, in the highest spirit of self-respect, it must discharge rightfully, at whatever cost. It has pledged itself in certain ways to the Filipino people, and those pledges must be kept in the utmost honor. We have no right to lay down the burden and shirk our duty because we find it difficult or costly or dangerous. We have no more right to do this than we have to withhold the benefits which we have promised to bestow because we might find it to our advantage to withhold them.

It is a useless waste of time to discuss whether we should have acquired the Philippine Islands, or whether, having acquired them, we should have set out upon the course of improving the material prosperity of their people, educating them, introducing means of communication and transportation, and building up commerce, internal and external, as we have done. It is equally profitless to discuss whether those who spoke on behalf of the United States should have made the repeated statements concerning our attitude with respect to the Filipino people, which statements are in their nature assurances or pledges concerning our intentions. We have done these things and must abide by them. We have no right now to measure our duty or our obligations by what would have been our rights had we not pursued the course we did pursue.

We deliberately chose to assume an enormous responsibility, with a self-abnegation unparalleled, so far as I know, save in the somewhat similar case of Cuba. It was finely conceived, and it behooves the Nation to see to it that it is finely carried out. Ignorance and prejudice increase the difficulty, and attempts to reap partisan advantages add to it. It is greatly to be regretted that this is so. Having started out with such unselfish and worthy motives, it would be an enduring pity if sordidness and selfishness should be permitted to mar the result. The right-minded legislator should see to it that this does not occur, and the similarly minded citizen should intelligently interest himself to the same end.

Our citizens know so pitifully little about this great problem. They do not realize, save in a very vague way, how the honor of the Nation—which is collectively their honor, a thing which they individually hold so dear—is vitally involved in the proper consideration and treatment of this matter. If they did so, it would require great effrontery to attempt to divert them from its proper set-

tlement by paltry lies and shameful misrepresentation. That such do now affect the public mind is due wholly to lack of knowledge on the part of the public. If our people would only devote sufficient time and attention to considering the actual facts and conditions, much that is utilized now to confuse and bewilder the people would only serve to bring contempt on its authors.

The terms and provisions of the bill you have before you are not known or understood by our people. If they had its provisions in mind, they would laugh in derision at those who suggest that it is inadvisable to consider this bill now because of the existing war. The very slightest consideration of the actual provisions of this bill would convince any inquirer that there was nothing whatever in it which made it inadvisable or inappropriate to consider the matter at this time. It is not too strong a statement to say that were every nation on earth, including our own, at war, there is nothing in this bill which would make its consideration inappropriate on that account.

If the people really knew the provisions of this bill, they would discard with scorn those newspapers which term it the "Philippine Independence Bill" and dismiss further consideration of it by the statement that it is premature to give independence to the Philippines. It is greatly to be hoped that the earnest and intelligent deliberations which this committee has devoted to the subject matter will lead to a better public understanding of this most important public question.

This bill is framed so as to provide another step along the line of self-government. The wisdom and propriety of it can only be determined by keeping in mind the two viewpoints first adverted to and by considering the history of our past relations to the Philippines, and the present situation therein.

The inhabited Philippine Islands number some thirty-four. The population all told is between eight and nine millions, mostly of Malay origin. Of these, about 10 per cent. are the so-called non-Christian tribes, about half of whom are Moros or Mohammedans, and the other half pagans.

The Islands were dependencies of Spain for some three hundred years prior to the Treaty of Paris which made them ours. During the Spanish regime the government was paternalistic, well-intentioned but badly executed; and those whom Spain sent there to govern, exploited the Islands for their own benefit. There was very little opportunity for the islanders to participate in any helpful way in the government, and there was little opportunity for them to acquire education. Their material prosperity was likewise of the meagerest description. As in all societies, some few, by reason of birth, wealth or native talent, forged ahead and, in wealth or in education or in

other ways, rose above their fellows. The rebellion which was undertaken in 1896 against Spanish authority has been attributed to the fact that, by hook or crook, some education had been obtained by a sufficient number who, appreciating the unfair conditions under which they lived, sought to alter them by active revolt. This revolt, and that which succeeded it, against the authority of our own country, are the only occasions which tended to produce homogeneity among the islanders. While supposedly of common origin, environment had produced differences, so that there are six main dialects and many minor ones. To just what extent there has been produced homogeneity among the people can only be determined by further experience.

Literacy at the time that we took the Islands over was not widespread. It has since, of course, increased very materially—mainly, however, among the youth who attend the numerous schools established by us in the various islands.

As I have above suggested, one cannot come properly equipped to deliberate and determine about the present bill without considering the position we voluntarily assumed in the Islands, the things we have done there which impose a duty on us, and the present conditions which make it desirable or undesirable to extend the further scope of self-government proposed by the pending measure. I shall only attempt to do this in a hurried and brief fashion.

In President McKinley's instructions to the first Philippine Commission, on the 20th of January, 1899, he expressed the hope that those commissioners would be received as bearers of "the richest blessings of a liberating rather than a conquering nation." In his message to Congress in the same year, among other things concerning the Philippines, he said:

"We shall continue, as we have begun, to open the schools and the churches, to set the courts in operation, to foster industry and trade and agriculture, and in every way in our power to make these people whom Providence has brought within our jurisdiction feel that it is their liberty and not our power, their welfare and not our gain, we are seeking to enhance."

And again he said:

"The Philippines are ours, not to exploit, but to develop, to civilize, to educate, to train in the science of self-government. This is the path of duty which we must follow or be recreant to a mighty trust committed to us."

Upon another occasion he said:

"We accepted the Philippines from high duty in the interest of their inhabitants, and for humanity and civilization. Our sacrifices were with this high motive. We want to improve the condition of the inhabitants, securing them peace, liberty and the pursuit of their highest good."

In the instructions sent to one of the commissions created by him he directed:

"That in all cases the municipal officers who administer the local affairs of the people are to be selected by the people, and that wherever officers of more extended jurisdiction are to be selected in any way, natives of the

islands are to be preferred; and if they can be found competent and willing to perform the duties, they are to receive the offices in preference to any others. It will be necessary to fill some offices for the present with Americans, which after a time may well be filled by natives of the Islands."

President Taft, while Civil Governor of the Philippine Islands, on the 17th of December, 1903, said:

"From the beginning to the end of the State papers which were circulated in these Islands as authoritative expressions of the Executive, the motto that 'the Philippines are for the Filipinos' and that the Government of the United States is here for the purpose of preserving the 'Philippines for the Filipinos' for their benefit, for their elevation, for their civilization, again and again and again appear."

And upon the same occasion, and in response to a particularly vicious newspaper attack which was then being made upon him by the American papers published in the Islands, he said:

"Some of our young lions of the local press have spoken of the 'childish slogan': 'The Philippines for the Filipinos.' It is unnecessary to comment on the adjective used, but it is sufficient to say that, whether childish or not, the principle makes up the web and the woof of the policy of the United States with respect to these Islands, as it has been authoritatively declared by two Presidents of the United States—for President Roosevelt has followed sedulously the policy of President McKinley—and by the interpretation of the supreme popular will, the Congress of the United States."

He points out that the actions of the President and the instructions thereof have, by an Act of Congress, been expressly approved. In further reference to this doctrine he said:

"The doctrine as interpreted in the light of these authoritative declarations assumes that the Filipino people are of future capacity, but not of present fitness for self-government, and that they may be taught by the gradual extension of self-government to exercise the conservative self-restraints without which popular government is impossible. \* \* \*

"The doctrine does not include, necessarily, the independence of the Filipinos, nor any particular degree of autonomy. It is entirely consistent with the principle to object to an immediate extension of popular government on the ground that we are going too fast for the political digestion of the people, and that it is not, therefore, for their good. Whether an autonomy or independence or quasi-independence shall ultimately follow in these Islands ought to depend solely on the question, Is it best for the Filipino people and their welfare? \* \* \*

"I think I have demonstrated by what I have quoted and the instances I have cited that the doctrine, 'the Philippines for the Filipinos,' is one which the honor of the United States requires it to enforce throughout those Islands. Not only was it promised to the Filipinos when the Americans came, after they had been here, during the insurrection, and at its close, but I do not think it too

much to say that the reiteration of the promises as shown in legislation carrying out these principles had much to do with bringing about the present tranquillity in these Islands." \* \* \*

It is interesting to note his next direct reference to this matter, because it shows that the conditions which existed in December of 1903 are still existent. He said:

"There are many Americans in these Islands, possibly a majority, and this includes all the American press, who are strongly opposed to the doctrine of 'the Philippines for the Filipinos.' They have no patience with the policy of attraction, no patience with attempts to conciliate the Filipino people, no patience with the introduction into the government as rapidly as their fitness justifies of the prominent Filipinos. They resent everything in the government that is not American. They insist that there is a necessity for a firm government here rather than a popular one, and that the welfare of Americans and American trade should be regarded as paramount. It is possible to trace the history of the formation of these views."

And he then proceeds to do so, in the course of which he says:

"With the lack of logic, so characteristic of human nature, the merchant who finds hard times coming on, the business man whose profits are not so great, looks about for a scapegoat and an explanation, and he finds it in the wicked civil government which has been encouraging the natives as far as it could; has been taking the native into the government as far as he seemed fitted; is doing what it can to elevate the Filipino people and provide for their welfare, and has not taken the American merchant under its especial wing."

It is particularly interesting, in view of the recent exaggerated accounts of a petty disturbance in the Islands, to read what Mr. Taft said concerning such occurrences in his time:

"The attitude of the American press and of the American merchant in his hostility to the Filipino, and in the consequent hostility to the civil government, was led into the error at one time of emphasizing in every possible way, by letters and representations of all sorts, that the condition of the country as to tranquillity was so bad that the whole of the Islands was still in a state of war. Every small ladrone fight, every discomfiture which the constabulary suffered, was exaggerated and made the basis for inference that the conditions in the country were retrograding rather than improving. Such incidents were seized upon and made as much of as headlines and general statements could make them."

And further on, adverting to the same general subject matter, he said:

"When one's feelings of enmity are very much aroused it is difficult to set the limit to the expression of them. So it is that we have the young lions of the American press, of the three newspapers who are supposed to speak the American public opinion in these Islands, holding the Filipino up to contempt, exposing all his supposed vices, and giving him no credit whatever for any virtues, and it may be that this represents the feeling of the majority of

the resident Americans in Manila. But can we not, in the end, be just, and give to the whole Filipino people their due? Should we wish the Filipino people to judge of Americans by the drunken, truculent American loafers who infest the small towns of these Islands, living on the fruits of the labor of Filipino women, and give us more trouble than any other element in the Islands? Should we wish the Filipino people to judge of American standards of honesty by reading the humiliating list of American official and unofficial defaulters in these Islands? I think not."

In referring to the characteristics of the Filipinos, Mr. Taft said:

"Contrast the Filipinos with other Malays and the Oriental peoples, and I ask you to name a people offering more opportunities for development along the lines which American ideals require than the people of these Islands. \* \* \* The Filipino people as a people have breathed in through their educated leaders the inspiration of liberty and free government. Many of them have fought, bled, and given up their lives in a struggle for independence. \* \* \* Their intense desire for education, their appreciation of European and American improvements in dress and bodily comforts, their artistic ambitions, their quick desire and power to imitate the good they see and understand, their openness to the reception of new and better things, their political aspirations for liberty and popular government, however lacking in a political knowledge of its difficulties and real essence—all these traits, added to a peculiar social sense and charm, make them a people peculiarly subject to the good and developing influence of a friendly and sympathetic government in which they are given a gradually increasing part, and justify an entirely different policy in dealing with them and promoting their welfare from that which England has found it necessary to pursue with Mohammedan and Buddhist peoples, having neither sympathy with, nor understanding of, modern European ideas."

Finally, in referring to the condition of tranquillity which it is necessary to preserve in order that the capital which is imperatively needed to stimulate commerce should come to the Islands, he said:

"Now, what has produced the present tranquillity? I say without hesitation that the chief element to-day is the confidence which the conservative people of the Islands have in the promise of the United States to make the welfare of the Filipinos its chief purpose in remaining here and to assist them sincerely in learning the secret of self-government by gradually enlarging their political power. \* \* \* How long is it thought we could avail ourselves of this popular support if we repudiated our national promises and adopted the policy of repulsion and repression, dignified under the name 'the policy of a firm hand,' and if we said to the people, 'You are not to be trusted; the offices must all go to Americans; you are an inferior race and are sufficiently rewarded by having a superior race to come here and run your government for you.'"

President McKinley, in referring to the characteristics of the Filipinos, said:

"The Filipinos are a race quick to learn and to profit by knowledge. He would be rash who, with the teachings of contemporaneous history in view, would fix a limit to the degree of culture and advancement yet within the reach of these people if our duty toward them be faithfully performed."

In adverting to the Philippines in his message on December 6, 1904, President Roosevelt said:

"We are endeavoring to develop the natives themselves so that they shall take an ever-increasing share in their own government, and as far as is prudent we are already admitting their representatives to a governmental equality with our own. \* \* \* If they show that they are capable of electing a legislature which in its turn is capable of taking a sane and efficient part in the actual work of government, they can rest assured that a full and increasing measure of recognition will be given them."

And in 1906 he said:

"We are constantly increasing the measure of liberty accorded the islanders, and next spring, if conditions warrant, we shall take a great stride forward in testing their capacity for self-government by summoning the first Filipino legislative assembly; and the way in which they stand this test will largely determine whether the self-government thus granted will be increased or decreased; for if we have erred at all in the Philippines it has been in proceeding too rapidly in the direction of granting a large measure of self-government."

In 1908, after the Philippine Assembly had been opened, President Roosevelt in his message said:

"Real progress toward self-government is being made in the Philippine Islands."

And in referring to the assembly, he said:

"Hitherto this Philippine legislature has acted with moderation and self-restraint, and has seemed in practical fashion to realize the eternal truth that there must always be government, and that the only way in which any body of individuals can escape the necessity of being governed by outsiders is to show that they are able to restrain themselves, to keep down wrongdoing and disorder. The Filipino people, through their officials, are therefore making real steps in the direction of self-government. I hope and believe that these steps mark the beginning of a course which will continue till the Filipinos become fit to decide for themselves whether they desire to be an independent nation. \* \* \* All we can do is to give them the opportunity to develop the capacity for self-government. \* \* \* We cannot give them self-government save in the sense of governing them so that gradually they may, if they are able, learn to govern themselves."

He adverts to the fact that they are gradually acquiring the character which lies at the basis of self-government, and then says:

"I trust that within a generation the time will arrive when the Philippines can decide for themselves whether it is well for them to become independent, or to continue under the protection of a strong and disinterested power, able to guarantee to the Islands order at home and protection from foreign invasion."

When Mr. Taft was Secretary of War, in April, 1904, in the course of a speech upon the Philippines, he said:

"When they have learned the principles of successful popular self-government from a gradually enlarged experience therein, we can discuss the question whether independence is what they desire and grant it, or whether they prefer the retention of a closer association with the country which, by its guidance, has unselfishly led them on to better conditions."

In 1905 Mr. Taft, in the course of an article upon the Philippines, wrote:

"We said that we were there for the benefit of the Filipino people; we said that we were there to give them as much of self-government as they could stand, and we did it. We may have given them a little more, but it is a good deal better to extend it a little beyond what they can stand and teach them the lesson and then say to them, 'When you do educate yourselves up to this we will extend it a little more,' as we have had occasion to do in a number of provinces, than it is to give them the impression that we were deceiving them in what we said we wished to do for them. One of the chief characteristics of the Orientals—indeed, one of the chief characteristics of all nations that are ignorant—is suspicion and distrust, and the primary rule of policy in dealing with them is absolute honesty and straightforwardness."

On August 11, 1905, Mr. Taft, then Secretary of War, speaking in Manila and expressing, he said, the sentiments of President Roosevelt throughout, among other things said:

"The American people have examined into, as far as may be, the capacity of the Filipino people to be developed into a self-governing nation; and while they admit that the proposition to make them a self-governing people is an experiment, never before tried with a tropical Malay or Oriental people, they believe the circumstances to be such that if the high national purpose of treating them as sacred wards of the United States and of dealing with them in every way for their benefit, for their own elevation and for their own education, shall be pursued, free from a desire for selfish exploitation or gain, that the experiment will be a success."

In opening the Philippine Assembly on the 16th of October, 1907, Mr. Taft, then Secretary of War, said:

"The avowed policy of the National Administration under these two Presidents has been and is to govern the Islands, having regard to the interest and welfare of the Filipino people, and by the spread of general primary and industrial education and by practice in partial political control to fit the people themselves to maintain a stable and well-ordered government affording equality of right and opportunity to all citizens. The policy looks to the improvement of the people both industrially and in self-governing capacity. As this policy of extending control continues, it must logically reduce and finally end the sovereignty of the United States in the Islands, unless it shall seem wise to the American and the Filipino peoples, on account of mutually beneficial trade relations and pos-

sible advantage to the Islands in their foreign relations, that the bond shall not be completely severed."

In a special report made by Secretary Taft on the Philippines and their political future, with special reference to the policy which had been pursued there, he said:

"The conditions in the Islands to-day vindicate and justify that policy. It necessarily involves in its ultimate conclusion as the steps toward self-government become greater and greater the ultimate independence of the Islands; although, of course, if both the United States and the Islands were to conclude after complete self-government were possible that it would be mutually beneficial to continue a governmental relation between them like that between England and Australia, there would be nothing inconsistent with the present policy in such a result."

In that report he dwells upon the necessity of the education of the masses of the people with a view of enabling them intelligently to exercise the force of public opinion, without which popular self-government is impossible, and said that it was reasonable then to say that such a condition could not be reached until at least one generation should have been subject to the process of primary and industrial education. He adverts to the fact that the great majority of the people undoubtedly desired immediate independence, but he thinks that that was not an intelligent judgment based upon a knowledge of what independence means, or on what the responsibilities of a popular government are. He states as his belief that at that time so relatively a small number were sufficiently educated to comprehend self-government that they would be practically an oligarchy and there would not be real popular self-government participated in by the mass of the people, and that the further presence and authority of the Americans was necessary in the Islands to develop these lower classes and preserve their rights; saying, in this connection:

"If the American government can only remain in the Islands long enough to educate the entire people, to give them a language which enables them to come into contact with modern civilization and to extend to them from time to time additional political rights so that by the exercise of them they shall learn the use and responsibilities necessary to their proper exercise, independence can be granted with entire safety to the people. I have an abiding conviction that the Filipino people are capable of being taught self-government." \* \* \*

Further on he says:

"Thus far the policy of the Philippines has worked. It has been attacked on the ground that we have gone too fast, that we have given the natives too much power. The meeting of the assembly and the conservative tone of that body thus far disclosed, makes for our view rather than that of our opponents; but had the result been entirely different with the assembly, and had there been a violent outbreak at first in its deliberations and attempts at obstruction, I should not have been in the least discouraged, because ultimately I should have had confidence that the assembly would learn how foolish such exhibitions were

and how little good they accomplished for the members of the assembly or the people whom they represented. The fact that this natural tendency was restrained is an indication of the general conservatism of the Filipino people."

In a message delivered on the 6th of December, 1912, President Taft said:

"We should \* \* \* endeavor to secure for the Filipinos economic independence and to fit them for complete self-government, with the power to decide eventually, according to their own largest good, whether such self-government shall be accompanied by independence."

On the first of March, 1913, President Taft adverted to the Democratic platform with reference to the Philippines and quoted that portion of it which referred to the purpose of the United States to "recognize the independence of the Philippine Islands as soon as a stable government can be established," and said that this was "an affirmation of policy only slightly differing from that repeatedly announced by this and preceding Republican administrations."

Governor-General W. Cameron Forbes, in his farewell speech before leaving the Islands, made the statement "that the platforms of both parties reached the same general conclusion in regard to the granting of independence when a stable government should be established." He subsequently, in a published speech in this country, corrected this statement to the extent of substituting the word "policies" for the word "platforms."

In pursuance of the policies thus enunciated, the various administrations in this country have from time to time enlarged the extent of the participation of the Filipinos in the government there. At first there was a military government. Later the chief governing body was a civilian commission, the president of which was the chief executive, and the other members of which were heads of the executive departments. The islanders were given, under certain supervision, entire power and control of their local municipal governments and gradually, under similar conditions, of their provisional governments. Filipinos were put upon the commission, and into the Supreme Court, and in many of the minor courts. One of them was given a portfolio, the head of an executive department—a place analogous to our Cabinet positions in this country.

In 1907 there was established the Assembly, composed entirely of natives elected from various districts. That may be regarded as the last forward step taken prior to the coming into office of the present administration.

As has been seen, those in authority in this country are on record as saying that this experiment of a native Assembly had met with success. There was undoubtedly great impatience in the Islands owing to the fact that no other forward step was taken after the manifestation of success of that step. Upon the present Administration coming into authority here, the President authorized Governor-General Harrison, in his opening address, to make the following statement:

"We regard ourselves as trustees, acting, not for the advantage of the United States, but for the benefit of the people of the Philippine Islands. Every step we take will be taken with a view to the ultimate independence of the Islands and as a preparation for their independence; and we hope to move towards that end as rapidly as the safety and the permanent interests of the Islands will permit. After each step taken experience will guide us to the next. The Administration will take one step at once. It will give to the native citizens of the Islands a majority in the appointive Commission and thus in the upper as well as in the lower house of the legislature. It will do this in the confident hope and expectation that immediate proof will thereby be given in the action of the Commission under the new arrangement of the political capacity of those native citizens who have already come forward to represent and lead their people in affairs."

In pursuance of this statement, the Commission was re-constructed so as to give a majority thereof to the Filipinos, and there is nothing to show that the result of that was not favorable and that it was not a proper and wise thing to do. In fact, everything that has come to hand is an entire justification of its wisdom and propriety.

The Administration then set about a further extension of self-government so as to take the next logical step along the line of testing the capacity of the Filipinos for self-government. The present bill is the result. We have entire hope that the Filipinos will accept this added responsibility in the proper spirit and make such good use of the opportunity as to demonstrate its wisdom and prepare the way for the next onward move.

It is instructive to recall a resolution of the Philippine Assembly, passed in answer to the President's statement as delivered by Governor-General Harrison and quoted above. In the course of that resolution there appears the following language:

"We are convinced that every onward step, while relieving the American Government of its responsibilities in the Islands, will as fully demonstrate the present capacity of the Filipino people to establish a government of its own, and guarantee in a permanent manner the safety under such government of the life, property and liberty of the residents of the Islands, national as well as foreign. We do not wish to say by this that there will be no difficulties and embarrassments, nor do we even expect that the campaign, open or concealed, of the enemies of the Filipino cause will cease soon, but we feel sure that through a conservative use of the powers entrusted to us, the Filipino people will, with God's favor and the help of America, emerge triumphantly from the test, however difficult it may be."

During the period of American authority in the Islands, their material advancement has been very marked. Existing railroads have been extended, railroads and tramways have been built, roads and trails have been improved and new ones built, transportation lines by land and water have been inaugurated, schools and government buildings and other adjuncts to an advanced civilization have been supplied as rapidly as money would permit, and com-

merce at home and abroad has been quickened, enlarged and extended. Thousands of natives have received instruction in the school of practical experience in connection with the government, local and insular, and hundreds of thousands of children have been and are attending the schools.

The present bill, so far as its actual provisions are concerned, laying aside for the moment its preamble, would, if enacted, produce, generally speaking, the following results:

A legislature elected by the people, composed of two houses; the lower one composed of eighty-one members elected for three years, each from a separate district, and nine appointed by the Governor-General representing the territory of the non-Christian tribes, or the territory not now represented in the legislature; and the upper house, or Senate, of twenty-four members, all of whom save two are elected from twelve districts, the two being for the non-Christian districts, and they are, for the time being, to be appointed by the Governor-General.

The Governor-General, the Justices of the Supreme Court, and, if an amendment which I have to propose is adopted, the Auditor and the Director of Civil Service, to be appointed by the President of the United States.

Full legislative power would be vested in the legislature, save in certain matters, and the Governor-General would have a veto power. If a bill were passed over the veto, the President of the United States would have the power to permit or forbid the same to become law, as he saw fit.

Trade relations between the United States and the Islands are subject to the final decision of our Congress. Certain matters, such as legislation affecting lands, mining rights, forests, etc., are subject to similar supervision by the President of the United States.

The executive heads of the departments, analogous to our Cabinet, would be selected by the Governor-General and confirmed by the Philippine Senate.

A bill of rights and certain other constitutional restrictions such as appear in the best models of our own constitutions are inserted in the bill with a view of keeping legislation and executive action within thoroughly approved and ascertained bounds.

It will be seen that this measure, while it extends the scope of the self-government in the Philippines, does so conservatively and wisely, and with proper safeguards. It is exactly in the line with the promises, pledges and assurances which have been held out to those people by our authorized representatives, and, it seems to me, should meet with the approbation of any right-minded man who studies the question. Whether or not it is subject to the charge made by the leader of the Republican minority in the House of Representatives, that it does not go far enough, it is certainly not open to the charge that it goes too far.

Much discussion has centered, and I suppose will continue to center, around the preamble. Without determining whether or not the phrasing thereof is the most apt which could be used for that purpose, I think it fair to say that it fairly and properly sums up and states that

which had been frequently stated on behalf of the United States of America by those speaking for that government; and if it does, it would hardly seem worth while to object to such a restatement.

It is difficult to see what proper objection can be made to the provisions of the bill itself. If we considered it, as I have before insisted that we should, in view of our duty to ourselves as a nation and in view of our obligation to the Filipino people, as made on our behalf by those speaking for us, we find that it fully measures up to our obligation in each respect. We have no right to go further at this time because of the duty which we have undertaken in this great enterprise. We have altered the lives of these people by injecting a new and more advanced civilization among them. We have whetted their aspirations for different methods of life, of doing business, and of handling governmental matters. We have accustomed them to sanitation, energy, and effort in commerce, agriculture, and trade; we have stimulated them to live upon a different plane and to educate their children for better things. For us to go further at this time and withdraw our support before we have practical assurance that these things will in the main continue, would be a betrayal of the generation of islanders that we have stimulated and to whom we have held out great hopes, without any corresponding advantage to ourselves or to any one. Not to give them what is provided in this bill would likewise be a betrayal of the pledges and promises made on our behalf, because by their conduct of that which we have given to them to do they have shown themselves worthy and capable of doing as much more as this bill will give them to do. Good faith to those to whom we have pledged ourselves requires us to stay so long as we must; and good will to the islanders, in accordance with our pledges and assurances, requires us to stay no longer than is necessary to test and reach conclusions as to their capacity for managing their own affairs. This act seems logically the next and proper step to take in the experiment. What its result will be no one but a prophet can tell. That it cannot be disastrous in any proper sense of that word, is assured by reason of the control we retain and the safeguards we have provided. What the next step should be, when it should be taken, what conditions would properly surround the grant of absolute independence, and other like speculations, it seems to me, are idle, and their consideration at this time would only be confusing. We are conscious that we are acting in good faith; I firmly believe that the Filipino people credit us with good faith; and I feel sure that if we go forward in that spirit, time will indicate the proper way for us to fulfill our duty to ourselves and our obligations to the islanders.

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#### STATEMENT OF HON. WILLIAM HOWARD TAFT

I want to say, first, that my being here is due to a kindly invitation from the chairman of the committee (Senator Hitchcock) to come and say something about my

view with respect to the proposed bill which, I believe, has passed the House, and which is now pending before this committee and the Senate. I would not have volunteered my opinion, because I knew, of course, that there were many other sources available for information; more than that, I hesitate to do so, because in this discussion it is impossible to avoid reference to partisan politics in this country. Politics in this country have had a great influence on the questions that arise in the discussion of this bill. It is quite difficult to understand the situation in the Islands unless you keep in mind the attitude of the two parties—

Senator Lippitt (interposing): The two American parties, do you mean?

Mr. Taft: The two American parties; as to what should be done with the Philippines, and what it was understood by the Filipinos that each party in America thought ought to be done with the Islands.

The discussion of the bill and its policy and its provisions involves a statement of the purpose of our being in the Islands at all.

Now, what is our purpose? Well, there are perhaps three views. The first purpose of being in there is to get out. (Laughter.) I had this feeling myself, when Mr. McKinley invited me to go to the Islands. I stated to him that I did not want to go there to get out; and he said, "Oh, we have got the bear by the tail, and we have got to stay and hold it; and I want you to go out and do what you can."

Now, the feeling that we ought not to go there, that we ought not to be there, and that we ought to get out as soon as we can, has suggested reasons for it. The first is, or was, that it was unconstitutional for us to be there and conduct a practical government; and that was the issue in the insular cases known in the colloquial phrase of the day, Does the Constitution follow the flag or not? The second reason was that the Philippines were entirely ready for self-government.

This first view was the Democratic view, and was also the view of certain Republicans, constituting a small party of anti-imperialists that was much more prominent than it was numerous.

Then there was a second party in the Republican party, and I am not at all sure that there were not some Democrats who had the Anglo-Saxon view that when we get our feet on land and territory we ought to keep them there, because with our confidence in our own power of doing good we are certain that it will help the world on the one hand, and are not oblivious to the fact that it may help us in trade, and the control of trade on the other. That was what was called the "exploiting" party, and it was prominent in the Republican councils.

They said the Filipinos never would be fit for self-government, and that we must stay there for all time. That was the ordinary understanding of Europeans as to what our attitude would be, and that we would stay there, because it was important that we should stay in the Pacific and retain control of the trade and build up something that would be profitable to us. That was the view



of the American merchants in the Philippines who were out there. The view that the Filipinos could never be fit for self-government was what would be called at that time (I do not know whether that is so now) the Army view. This grew out of the character of warfare that the Filipinos carried on against the Army, which naturally engendered a hostility toward them and a contempt for them that produced that idea. It was almost like the opinion the Army had of the Indian in the old days. It, of course, was modified as time went on.

Then there was the third view, namely, that the Philippines were for the Filipinos, and that it was the duty of the United States, being a custodian and trustee upon whom had been thrust the fate of these people, to treat the subject as one which would be determined solely with a view to the benefit of the Filipinos. And that led to certain subordinate views: First, that they were not then fit for self-government, but that with actual training in partial self-government and with an education which should give them the knowledge of the language of free institutions they were a people quick enough, a people of ideals enough, to constitute, after a time—and as to what time I shall speak later—a self-governing people, with an independent government.

Of course, fitness for self-government is not an exact standard. I do not mean to say that they might ever become as fitted for self-government as the Puritans were when they came over, or as the American people were when they founded this Government and established the Constitution, because we had been trained by a thousand years in self-government.

But it was thought that by pursuing a certain course with the people and giving them training and giving them education they might then set up a government for themselves; a government which would look reasonable after the rights of the poor and the humble, and the men who did not know what their rights were—the great mass of the Filipino people.

And it was thought that if we gave them good government as an object lesson, and spread this education, and enlarged the economic opportunities of the people of the Islands, then the time would come when we could leave them to say whether they wanted to separate themselves entirely from us or wanted to continue a bond that would, in a sense, be a protection to them—like that between England and Australia or England and Canada. That was, of course, for the far future, but the purpose of the policy was to do everything we could to fit them for self-government.

In this, as I say, we had to fight the military and we had to fight the American merchants. On the other hand, at that time, because we had to fight the military, because we came as a civil government—I say “we,” the commission appointed by Mr. McKinley and instructed by Mr. Root—because we came there in that attitude and offered to change from the necessary severity of the military government; and because we proclaimed the doctrine that we were there for the benefit of the Filipinos we were able to

secure a friendly welcome after a time, after they found out what we were really there for.

Now, you can not very well go on with a discussion of this subject unless you find out what you mean by self-government; and that certainly has been stated with more force, with more clearness, by no one than by President Wilson in his work on Constitutional Government. And in order to explain my meaning I would like to read what President Wilson said on that subject, and what, therefore, we meant when we went out to the Islands and told them that we were struggling to give them self-government. May I read this into the record, Mr. Chairman?

The Chairman: Yes; certainly.

Mr. Taft (reading):

“Self-government is not a mere form of institutions, to be had when desired, if only proper pains be taken; it is a form of character. It follows upon the long discipline which gives the people self-possession, self-mastery; the habit of order and business and common counsel, and reverence for law which alone follow when they themselves become the makers of law; the steadiness, the self-control of political maturity—and these things can not be had without long discipline.

“The distinction is of vital concern to us in respect to practical choices of policy which we must make, and make very soon. We have dependencies to deal with, and must deal with them in the true spirit of our own institutions. We can give the Filipinos constitutional government, a government which they may count upon to be just—a government based upon some clear and equitable understanding, intended for their good and not for our aggrandizement—but we must ourselves for the present supply that government. It would, it is true, be an unprecedented operation, reversing the process of Runnymede, but America has before this shown the world enlightened policies of politics that were without precedence. It would have been within the choice of King John to summon his barons to Runnymede of his own initiative and enter into a constitutional understanding with them, and it is within our choice to do a similar thing, at once, and wise and generous in the government of the Philippine Islands.

“But we can not give them self-government. Self-government is not a thing that can be given to any people, because it is a form of character and not a form of constitution. No people can be given the self-control of maturity. Only the long apprenticeship of competence can secure them the precious possession—a thing no more to be bought than given. They can not be presented with the character of a community; but it can be confidently hoped that they will become a community under the wholesome operation of just laws and a sympathetic administration; that they will, after a while, understand and master themselves, if in the meantime they are understood and served in good conscience by those set over them in authority.

“We, of all people in the world, should know these fundamental things and should act upon them, if only to illustrate the mastery in politics which belongs to us of hereditary right. To ignore them would be not only to



fail and fail miserably, but to fail ridiculously, and to belie ourselves. Having ourselves gained self-government by a definite process which can have no substitute, let us put the peoples dependent upon us in the right way to gain it also."

Now, that states exactly what we have in mind and it states exactly what I think to-day with respect to the policy to be pursued in the Islands.

As the President says, one way of acquiring self-government is by hard knocks, as the Anglo-Saxons had acquired it through a thousand years of struggle with despotism and tyranny.

What we attempted to do in the Islands, and what I hope we may still do—at least, that is what we were doing when the new era dawned out there under Governor-General Harrison—was to retain control and guidance and give a good constitutional government as an object lesson; to have the government participated in but not controlled by the natives; to give them book and economic education, and another view of political institutions by a knowledge of the language of free institutions.

You can not make one generation over. Certainly you can not make over a generation of adults, 90 per cent. of whom are woefully ignorant, utterly out of touch with any modern civilization. You can not make them over; it is not possible. You can talk about it, but you know in your hearts you can not do it. Gentlemen, I am in a situation where I can tell you just what I think, and I am going to do it. (Laughter.)

I did not come here until you asked me to, and you have got to hear just what I think. Other people will differ; but the pleasure of being in an apple tree where you can call out just what you think—this pleasure I have not known before. (Laughter.)

Therefore, when you ask me what time I would put on the question of producing self-government out there and making those people over so that they can know self-government and understand the object lesson that they are having, I put the time as that will give to those people an opportunity to learn English, so that they may become an English-speaking people; and that will certainly take more than one generation, and probably two, if you count a generation as thirty years.

You are not educating all the people in the Islands to-day; you can not do so, because the Island government has not money enough to furnish the schools for the whole school population. I suggested in one of my reports that if the United States wanted to get rid of the Islands, the United States Government might properly appropriate enough so that the educational system out there would cover all the school population in the Islands. It does not now by a very considerable percentage.

But you have got to spread that education and make it universal and keep it up until the generation that is in power and is to derive political knowledge from the experience of self-government partially extended to them shall be a literate people, i. e., with general primary education.

Our difficulties out there were very many. The military difficulty seemed to be a difficulty, but it really was an advantage, as I said, because it commended us to the Philippine people as coming to give them the benefits of peace. And thus they organized the Federal Party, which was really a peace party. The party had some theory of becoming a part of the American Union, though we

never encouraged them in that; and then, after political power came to be extended and the power of the shibboleth of independence became so great, they disappeared as a political party.

There were three parties out there when they came to elect the Assembly. The Federal Party changed its name into "El Partido Independista Progresista." And then the old Nationalist Party became "El Partido Independista Immediatista." But that was not enough. A group was organized as—my Spanish is not accurate, but I give you the sense of it—the second radical group was called "El Partido Independista Urgentissima," meaning most urgent. And even that was not enough for a small redder group, for they adopted the name "El Partido Independista Explosivista," which indicates the value attached to names in politics out there. (Laughter.)

Of course, our first difficulty was in 1900, when we were attempting to bring peace, the opposition of Mr. Bryan and the Democratic party to our policy, and the promises of immediate independence that were contained in that platform. The effect on the Islands of that agitation was shown with great emphasis just the minute that Mr. Bryan was defeated. From that time on the insurrection in the mountains and elsewhere became practically nil, and the number of guns that were surrendered ran up into the thousands in the few months that followed the defeat of Mr. Bryan in 1900, and then we went out to organize the Provinces.

And then the Federal Party became a power, and the Federal Party leaders went around with us, as we organized the Provinces and promised them peace, and they were a great influence in producing a peaceful condition in the Islands.

Senator Lippitt: Why did the defeat of Mr. Bryan have any effect on the insurrection?

Mr. Taft: Because they were maintaining the insurrection with the idea that if Mr. Bryan were elected they would be in a position to show that they were a party of force and could take at once the country which Mr. Bryan and the party at that time proposed to turn over to them.

And that is really—I have got to say so—the Democratic promise of independence has been the great obstruction to the carrying out of our plans ever since; and it is what is now returning to plague the party itself when it is in power, in this, that the Filipinos look back to those promises, and their politicians are very quick to call the attention of the Filipinos to them.

This revolution—or so-called revolution—does not amount to anything, so far as the suppression of it is concerned. This man Ricarti is one of the few that have come down from my time. He was a bugaboo when I was out there. He belongs to the class of professional revolutionists and maintains his position in Hongkong; and every little while he seizes an opportunity to send over collectors to get the money that he lives on in Hongkong. In order to justify the collections, he has to make a showing; and now he is making a showing on the ground—I assume from what I have seen and what I have heard—that now the Democratic party has come in; that there was promised independence; that a bill was introduced fixing a time for independence; and now that bill has been changed; and he is ringing these changes with those poor devils that do not know any better, and are willing to contribute. The disturbances are in the same old places where we had just the same trouble before. The names, of

course, slip away from me; but Navotes and Calcuca and Cavite, all of 'em are the centers that are revenue producing to the leader on the one hand and insurrection producing on the other. Both are due to the power of their little local caciques to stir them to action.

Are the Filipinos fit for self-government? Well, that depends upon what you mean by self-government. I had a committee which came to see me when I was Governor of the Islands—it was the time when many of their people were in the field—and they said they wished to organize a party for independence by peaceable means; and I said to them: "Gentlemen, you need not come to me. You have that power under the law." But they said, "We are used to Spanish methods and we wish to get the approval of the Governor in the organization of this party." I said, "But I can not give you that approval. The fact is, I advise you not to form the party, because there are men just ten miles out of Manila shooting American soldiers and stirring up insurrection; and the minute you organize that kind of party, you will come under the surveillance of the military, and their special agents and secret agents, to see whether you are furnishing the means by which that insurrection is being carried on. Therefore I advise you to wait." "But," they said, "we wish to prove to you that we are fit for independence." "Well," I said, "you can not. I know something about the people here. I am very fond of them, but I think I know what their capacity is." Well, they said, they wanted to file a brief with me; and they did so—and these were leading educated Filipinos. In that brief they went on to enumerate the number of offices that there were in the municipalities and the Provinces and the central government; and then they gave statistics of the *Ilustrados*, the educated people in the island; and they proved that the *Ilustrados* were more than twice as many as the offices to be filled; and they said that with two shifts that would give a competent government, and self-government. (Laughter.) Well, I explained to them that it was not the capacity to fill offices that gave a capacity for self-government to a people; it was public opinion, and that if they did not have broad, popular public opinion to control people in office, they were not fit for self-government.

I took a committee of Senators and Representatives out to the Philippines when I was Secretary of War, in 1905, and Fisk Warren, an anti-imperialist from Boston, visited the Islands at the same time, because he thought that with my prejudice and my bitterness of feeling I could not be relied on to show the party the real capacity of the Filipino people for government; and so he demanded, in the name of the Filipino people, that I give the Filipino people an opportunity to be heard.

And after I had taken the party all around the Islands and we came back to Manila I sent word to Mr. Warren that he might produce any committee that the Filipinos wished to send and present what they thought as to their own power of self-government.

And so they presented a petition August 28, 1905. I can not read it all. It says:

"In spite of the unquestionable political capacity of the Filipino people, the result of their present degree of culture and civilization, that they are in a condition for self-government is denied in varying degrees and forms, though precisely the contrary is demonstrated by facts, experience, and considerations, among which the following deserve mention:

"First—It is an irrefutable fact that the Filipino people are governable; the period of Spanish dominion and of the present American sovereignty bear out this assertion. The political condition of a country principally depends upon the degree of governableness of its people; the more governable the popular classes are the better the political condition of the country.

"When a people such as the Filipinos give signal evidence of their capacity to obey during a period of over 300 years, free from disturbance or deep political commotions, it must be granted, considering that all things tend to progress, that they possess the art of government; all the more so because, among other powers, they possess that of assimilation in a marked degree, an assimilativeness which distinguishes them from other people of the Far East.

"Second—If the masses of the people are governable, a part must necessarily be denominated the directing class, for as in the march of progress, moral or material, nations do not advance at the same rate, some going forward while others fall behind, so it is with the inhabitants of a country, as observation will prove.

"Third—If the Philippine Archipelago has a popular governable mass called upon to obey and a directing class charged with the duty of governing, it is in a condition to govern itself.

"These factors, not counting incidental ones, are the only two by which to determine the political capacity of a country—an entity that knows how to govern, the directing class, and an entity that knows how to obey, the popular masses."

Dominador Gomez, who signed the petition, who was the great labor and popular leader, was in favor of admitting the Chinese. He said to the committee:

"However, we understand that, morally and intellectually, Chinese immigration can not produce good morals and good customs in the Islands.

"The Chinaman even in his physical ailments is worse than the man of any other race; his diseases are extrapathological; that is to say, there is not found in any pathological work the diseases with which the Chinaman suffers, nor do we find the same diseases having as great a severity among other peoples as they have among the Chinamen. We here in the Philippines do not desire the Chinaman as a mechanic or as a teacher; we desire him—and this I will say, though it may be an offensive phrase to them—we desire the Chinese here merely and purely as work animals for the cultivation of our fields."

Dominador Gomez was alone responsible for that statement about the Chinese. The names signed to that petition are those of many of the leading Filipinos of the Nationalist Party at that time. It was signed by Dr. Simeon A. Villa; Baldomero Aguinaldo, farmer; Dr. Justo Lukban; Jose Ma. de la Vina, physician; M. Cuyugan, property owner; G. Apacible, physician; Vicente Illustre, lawyer and property owner; Miguel Saragosa, professor of painting; Alberto Barretto, lawyer; Pablo Ocampo, manufacturer, who was a delegate here; Antonio E. Escamilla, professor of languages; Enrique Mendiola, licentiate in jurisprudence and property owner—well, there were some twenty-five of them altogether; among them was the Vicente Lukban, who was one of the great revolutionary leaders.

The Chairman: What year was that?

Mr. Taft: 1905.

Now, that makes the point that I wish to emphasize here, that not only were the 90 per cent. of the people out there not fit for self-government, but the 10 per cent. of educated Filipinos do not understand self-government and are not really in favor of it in the sense in which we use the term; they have been educated and have been trained in an aristocratic country. They have the class distinctions, and believe in them in their hearts. These they inherit and take over from 300 years of Spanish life. And therefore, if they have independence now, if they can ever get a government at all which shall be stable, it will utterly ignore the rights of the 90 per cent.

## NEUTRAL THOUGHTS ON NEUTRALIZATION OF SHANTUNG

By GEORGE BRONSON REA, M. E.

For the past five years the Japanese authorities and merchants of Port Arthur and Dairen, have been actively seeking to extend their sphere of commercial influence into northern and western Shantung and compete with Germany for the trade supremacy of that province. Only eighty-five miles of water separates the Japanese leased territory from the northern ports of Shantung, and a large junk and steamer traffic has been established between Dairen and Chefoo and the other minor coast towns. Owing to this activity on the part of Japanese merchants, the trade of Shantung has been as greatly stimulated by the wonderful prosperity in the Kwangtung Leased Territory as by the efforts of Germany working through Tsingtau and the Shantung Railway. The Japanese from their vantage point at Port Arthur, are actuated by much the same motives as influence the Germans. In their plans for the advancement of Japanese trade interests in Shantung, they also are reluctant to contribute to the growth of Chefoo by diverting trade from Dairen. The Japanese are quite frank about this matter, and openly state that from the viewpoint of the Dairen merchants, Chefoo is not located in a favorable position for their trade propaganda. What they desire is a port on the coast further to the west. In other words, they desire a foothold in a new unopened point, which can be developed under their influence. To use the words of a Japanese writer, in an article published over two years ago, "Fortunately there is Lungkow, that was opened to junk trade as the auxiliary port of Chefoo. It is situated 120 miles west of Chefoo, and just outside the distributing sphere of the German Shantung Railway."

To quote the words of this editor of a semi-official Japanese organ:

"A good natural harbor being scarce in Shantung there is every possibility that the place will be used to good advantage, so that it will grow to be a great gateway to the province just as much as Kiaochow on the other side of the peninsula. Moreover, from the point of connection between Dairen and the interior of Shantung, Lungkow is far more advantageous than Chefoo."

"When the place is opened to trade as an outer port of Chefoo, the benefit is not limited to those above enumerated. The land in the neighborhood now left in waste will at once become valuable, and become a great resource to the province whose financial condition is in no way an enviable state. Further, if the Hsiao Ching-ho, an old canal, be dredged out, the distance of 100 miles from Tsinanfu to the river mouth can be freely covered by large junks or even small steamboats, instead of little crafts now plying between the coast and Tsinanfu, and establish connection with the Tsintau-Tsinanfu Railway from the northern shore."

"Of course, more or less artificial means are needed to make Lungkow a serviceable port, but there is no necessity to start the work on a gigantic scale so as to enable large ocean-going steamers to come alongside the wharf. *Parties interested in the development of the harbor are considering the work of increasing the depth of water sufficient for the present, using a part of the income derived through the disposal of land along the water front for the work.* Since the Chinese authorities of Shantung as well as the local people are approving the scheme, it may come out as a concrete fact before long unless some unforeseen impediments block its way."

This was written in April, 1912, and published in the "China Tribune" of Tientsin, the recognized authority on Japanese affairs in China. The same paper is responsible for the following significant note, showing the trend of Japanese thought at that time:

"Shipping trade along the northern coast of Shantung Province has been making steady progress of late, and there are now very few ports to which steamers do not ply. Only between Tientsin and Lungkow there is no good port allowing the entrance of a steamer. Some fifty miles southwest of Lungkow, however, there is a river called the Hsiao Ching-ho, the mouth of which is closed with bars, only a few feet of water being found there, but proceeding up the stream there is plenty of water which is at some places as deep as 20 fathoms (feet?) and small steamers may be run to Tsinanfu without any difficulties. Moreover the Hsiao Ching-ho runs through the fertile districts of the province, rich in agricultural products, and Honan produce is also sent down to this river. It appears, therefore, there is a good prospect for a steamship service, and some Japanese and Chinese merchants in Chefoo are contemplating the establishment of steamship services on this river."

The Japanese authorities in Dairen were therefore fully awake to the commercial and economical advantages of the place, as is evidenced by the organization in Dairen of the Lungkow Bank, with the head office at Lungkow and a branch at Dairen. Mr. S. O. Tanaka, the manager of the Dairen Steamship Company, appears as the central figure of the enterprise. It seems that this gentleman solicited a grant or subsidy from the Japanese Government of Kwangtung to assist the enterprise, and it is understood that this was awarded under special conditions. The bank is reported as being in sound financial condition, and conducting a profitable business. It is worthy of note, that Mr. Tanaka was also the leader in the proposed scheme to connect Lungkow with Hwang-hsien by a light railway. The Dairen Steamship Company is also responsible for the development of the profitable direct steamship service between Lungkow and Dairen, and

Lungkow and Newchwang, thus eliminating the port of Chefoo. The establishment of a Japanese controlled and subsidized bank at Lungkow, long before its being opened as a treaty port, indicates that by the time the port was opened in December last, all the most desirable property was safely in Japanese hands, or mortgaged to the bank. It will be recalled that to counteract the influence of Japan, the Chinese Government freely opened seven ports of her northern provinces last December to international trade. Six of these ports were located in the zone of Inner Mongolia, menaced by Japan's political pretensions in this quarter. Taonanfu, Chifang, Dolonor, Jehol, Kweihwacheng and Hulutao were thus opened to trade. Included in the list, was the hitherto obscure and insignificant port of Lungkow in Shantung. The pressure of Japan at this point was as strongly felt as in the sphere of Inner Mongolia. It was too late, however, for any other foreign interests to gain a foothold in Lungkow. The operations of the Japanese bank, and the activities of Japanese traders from Dairen, using Lungkow as their base, had forestalled other nationalities in this neglected corner of Shantung. If the much discussed and advertised Chefoo-Weihsien Railway is ever built, instead of its traffic solely increasing the prosperity of Chefoo, as intended, the Japanese at Lungkow, by constructing a short line of 25 miles to Hwang-hsien, would intercept the products from the interior, and divert the export trade through their base at Lungkow.

The Japanese trading concerns at Dairen, instead of conducting business with the interior of Shantung, through the port of Chefoo, would ship their products on their own subsidized steamers through the port under their commercial control at Lungkow. This would save 75 miles of railway haul, not to mention landing charges and other special taxes levied at Chefoo. Commercially and economically, therefore, their position was correct, but to succeed they had first to persuade the Chinese authorities to open Lungkow as a treaty port. Thus the Chinese Government, who has been deeply concerned for many years over the future of Chefoo, and has devised and sanctioned many schemes to revive its commerce, and combat the ascendancy of Tsingtau, was compelled to still further detract from its importance by opening the port of Lungkow at Japan's behest. The Japanese merchants at the latter place stood to profit, no matter what plans were followed in the future. If the Railway from Chefoo to Weihsien was ever constructed, Lungkow through its favorable position further to the west would tap the line, and cut the trade of Chefoo in half. If it was never built, the Japanese would continue to use Lungkow as their base for trading with central and western Shantung, and thus be 75 miles nearer their market, than the port of Chefoo, with its established Chinese and European interests in control of property and trade.

By dredging the bar at the mouth of the Hsiao Ching-ho (Little Clear River) an unobstructed waterway is open for a very light draft steamship service direct to Tsinanfu, in the heart of Shantung. Under the Inland Waters Steam Navigation Rules, the smaller Japanese steamers would

then have a clear run from Dairen to Tsinanfu, a distance of approximately 290 miles, which under normal conditions could be accomplished in 24 hours. It will be seen, therefore, that the Japanese program if carried out without opposition would constitute a decided menace to Germany's trade supremacy in the Province. From her base at Dairen, with through ocean and river communication, Japan could deliver her products in Tsinanfu much cheaper than by utilizing the more expensive rail route from Tsingtau. And all that is needed to accomplish this is the expenditure for dredging the bar of the Hsiao Ching-ho at its mouth, and deepening the Channel in other places, a task much less expensive and of as much political and commercial importance as the Haiho and Liao River Conservancy and dredging works.

It is not strange, therefore, that Japan selected the almost unknown port of Lungkow as the point for the disembarkation of her army, and her permanent strategic base in the campaign against Tsingtau.

Japan has promised to return Kiaochou to China. There is no reason at this time to question her honorable intention. She has given her word, and until it is broken, public opinion should reserve judgment and criticism. If Japan hands Kiaochou back to China as she has promised to do, and Tsingtau is thrown open as an international treaty port, Japan is entitled to ask for and expect to receive adequate compensation from China. Other nations who have been prohibited by the operation of the Kiaochou Convention from enjoying equal participation in the development of Shantung, cannot complain if Japan receives some special compensation for opening the door again.

Japan's previous actions and attitude in Korea, Manchuria, Inner Mongolia, and Fukien, however, are remembered and tell against her, and other nations instinctively anticipate that she may feel justified in pursuing the same tactics in Shantung. The door may theoretically remain open, and yet be difficult for others to pass through and enjoy equal privileges on the inside. As Japan has the moral and political support of her powerful Ally, other nations have accepted the situation in Manchuria, but if the same policy be extended to Shantung, they would undoubtedly view with deep concern this additional limitation of unrestricted trade rights. However, for the present it would be manifestly unjust to presuppose any such ideas, and the world must take Japan at her word.

If Japan restores Kiaochou to China, and opens Tsingtau as an international treaty port, what compensation could she legitimately request from China without infringing the rights of other nations? Germany's railways and mines, with the rights attached to them? This could only extend to those special rights embraced in the Kiaochou Convention and constructed with purely German capital and operated as purely German concerns under a charter from the German Government. It could not extend to those railways financed by German capital, for the benefit of the Chinese Government, as these lines are the exclusive property of the latter, and the bonds, although issued by a German financial institution, may be held by investors in many countries.

If it is ultimately decided that the Shantung Railway Company, which owns and operates the railway, mines and other industries embraced within the specifications of the Kiaochow Convention, is a German official corporation, in which the rights of the private investor do not count, then no other Power can reasonably criticize Japan for seizing them as spoils of war. It is a fact, nevertheless, that the capital for these enterprises was supplied by purely private investors, and the Government only exercises its rights of supervision and regulation. Or, if through the fortunes of war, and the pressure of diplomacy, these spoils are abandoned, what would remain for Japan to ask for? It occurs to us that the building of a railway from Lungkow to Weih sien, and requiring China to conserve the Hsiao Ching-ho waterway at her own expense, would adequately compensate Japan and give her an undisputed legitimate trade advantage in Central and Western Shantung, due to the proximity of her great commercial base at Dairen.

As we have remarked, it is unfair and premature to prejudge or question Japan's good faith. However, if Tsingtau is restored to China, there is no good reason why China should not contribute to the legitimate expansion of Japanese commerce by maintaining at her own expense the waterway which would permit her traders ready access from Dairen to the hinterland and heart of Shantung. This would advance her trade interests with this part of China on a more permanent and profitable basis, than is possible by the use of the railway from Tsingtau. The distance from Port Arthur to the mouth of the Hsiao Ching-ho is 165 miles and from there to Tsinanfu about 120 miles, or a total of 285 miles of sea and river. The distance by rail from Tsingtau to Tsinanfu is 240 miles. The legitimate economic and commercial advantage in freight rates must always remain with Port Arthur and Dairen. Japan could, therefore, well afford to act magnanimously by restoring Tsingtau to China, on the condition that it be maintained as an international port with equal trade opportunities to all. At the same time she could fairly and reasonably demand in compensation, that China should dredge the bar and maintain open to navigation the channel of the Hsiao Ching-ho for the vessels of all nations under the Inland Waters Steam Navigation rules. By reason of her possession of Port Arthur and Dairen, this would give Japan an honorable and legitimate trade preference over all other nations, and permit her merchants to dominate the trade of Tsinanfu and the hinterland, without resorting to unfair methods, or discrimination in freight rates over the Shantung lines. The construction of a railway from Chefoo to Weih sien with a branch to Lungkow will enable her merchants at Dairen to again control the trade of the Province, through the port of Lungkow, already under their influence. The port of Chefoo is 85 miles from Port Arthur. Lungkow is 90 miles distant from Port Arthur or for all practical purposes the sea distance is the same. Lungkow, however, holds the advantage of being 75 miles nearer the heart of

the province, or that much less rail distance. The Japanese merchants at Dairen and Port Arthur through their branches at Lungkow, would thus be able to counteract the influence and prominence of Chefoo, and control the market in a legitimate manner, to which neither China nor any other nation could take exception.

If China of her own volition appropriated and expended a sufficient sum for the conservancy of the Hsiao Ching-ho, her own traders would undoubtedly reap the greatest rewards. Instead of desperate and ineffectual attempts to obtain foreign funds for the construction of the Chefoo-Weih sien line, against the passive opposition of Germany, it was well within her rights to have appropriated certain sums for the conservancy of the Hsiao Ching-ho, which would have materially assisted towards neutralizing the German sphere of influence in the province by opening it up to foreign steam navigation.

This is not a new problem for China, and her officials cannot plead ignorance of its importance. From the commercial viewpoint of Tsinanfu, the capital of Shantung, the most important natural trade outlet of the province is the Hsiao Ching-ho, which has its source in the lakes and springs within the very walls of the capital. Partly canal, and partly canalized river, the Hsiao Ching-ho from time immemorial has served as the main artery of trade between Tsinanfu and the sea, and the district adjacent to Laichow Bay. Even to-day with the service of the Shantung and Tientsin-Pukow Railways, the Hsiao Ching-ho remains as the most important natural trade outlet.

In certain articles, notably timber from Manchuria, salt from the coast marshes, cigarettes imported through Chefoo, reed matting and other light but bulky articles of import, and in beans, grain, iron, rice, pans, etc., among exports, the cheaper freights make the river a very serious competitor with the railway. This competition is not alone with direct imports and exports of lighter products, but is keenly felt in the traffic between Tsinanfu and the district of Weih sien. The many rivers and creeks connected with the Hsiao Ching-ho permit the water-borne traffic to compete with the railways in all the main towns between Tsinanfu and Ching Chou fu, without passing out of the mouth of the river. The several rivers emptying into Laichow Bay within a distance of 40 miles from the mouth of the Hsiao Ching-ho permit the junks to compete with the railway at Weih sien and the neighboring districts.

That the safeguarding of this most important water artery of trade has been duly considered in the past by the Chinese authorities, is evidenced by the report of Captain W. F. Tyler (Coast Inspector to the Maritime Customs) on the Yellow River in 1906. The investigations of Captain Tyler were not carried out with the view of planning a scheme for the control of the Yellow River itself, but were directed towards finding a way to safeguard the Hsiao Ching-ho from the danger of floods and breaks in the banks of the larger and swifter river. But like all such schemes for the improvement of the country and the preservation of life and property, depending on the in-

initiative of the Chinese Government, nothing has ever been done to preserve this important waterway. It would appear that the many Governors of Shantung, some of whom now control the destinies of the country at Peking, have fallen completely under German influence, and were either intimidated or persuaded to forego any expenditure on this scheme which would have contributed to neutralizing the effect of Germany's special privileges in the province. It has been left to the sharp-witted Japanese traders to recognize the strategic commercial importance of this waterway, and to take the necessary steps to awaken the Chinese Government to its obligations.

The careful preparatory work for the opening of Lungkow, so that when foreigners were legally free to enter, the most valuable business sites and trade connections would be in Japanese hands, and the references to the necessity of dredging the Hsiao Ching-ho, clearly indicate the trend of Japan's commercial policy prior to the commencement of her operations against Germany in Tsingtau. With Lungkow opened, the next step would have been to compel China to improve the river, which would give free access to the heart of the Province.

It would seem that if Japan intends to fulfil her promise and return Kiaochou to China, and she still retains the ambition to secure the major part of the trade of the Province, that her best move would be to follow the policy already initiated. It is clear that if the same tactics are pursued by Japan in Tsingtau and Shantung as have been charged against her in Manchuria, she will completely destroy all confidence in her word and honor, and other nations will chafe under the trade restrictions imposed. And, as in Manchuria, the animosities thus engendered will not be with American traders who have no special interests in Shantung, but will arise from those who are now the close allies and friends of the Japanese. Despite all allegations against Japan's tactics in Manchuria I have always maintained that she secured control of the import trade of that province through the operation of legitimate and natural laws of trade, rather than through the alleged freight discrimination and other unfair practices, and this view has been accepted by the majority of American merchants formerly interested in the trade of Manchuria.

Provided the Hsiao Ching-ho is dredged and kept open for light draught steamers, Japan can operate more economically and efficiently from Port Arthur than from Tsingtau. Even with the control of the railway in her hands, the direct water route from Port Arthur to Tsinanfu would control the trade situation of over half the area served by the railway. It is clearly evident then that Japan's best interest would be served by carrying out her promise to return Tsingtau to China as soon as possible, on the condition that China compensates her in part, by maintaining the channel of the Hsiao Ching-ho open to navigation, and by constructing the railway from Chefoo to Weihsen. As far as Japan is concerned, her trade point will be located at Lungkow, which enables her merchants to divert her share of the trade from Chefoo. The open river to Tsinan will permit her small steamers to

dominate the trade of the interior of the province direct from her own base at Port Arthur.

The retention of Tsingtau by Japan will ultimately lead to discord and distrust and menace the peace of the Far East, which she is pledged to uphold. The expenditure of a few million taels on the improvement of the Hsiao Ching-ho would permit her to dominate more completely the commercial future of Shantung, in a legitimate way, and preserve the confidence, respect and friendship of all her commercial rivals in the East.

Germany's lease of Kiaochou has 85 years yet to run. Japan's heritage of the Kwangtung lease expires in 8 years and 4 months (March, 1923). If Japan restores Kiaochou to China is it fair for her to ask in return an assurance that the Kwangtung lease will be extended to 85 years on its expiration?

Japan's future in China lies in the development of Manchuria through the exploitation of the South Manchuria Railway, and the other lines China has granted her the right to construct. It will take all of Japan's loose capital for years to come, to carry out her Manchurian program. If she aspires to succeed to Germany's position in Shantung, dominate the Yangtze Valley trade, and close the door in Fukien to other foreign capital, it would seem that she has bitten off more than her financial strength will assimilate. With the termination of the war, only the British and French money markets would be open to her to raise funds for the prosecution of such ambitious dreams, always provided that British capital would follow the lead of the British Government, in recognizing Japan's exclusive interests in Fukien. Japan could raise no large loan in England to advance her position in the Yangtze. French and American financiers would never entertain any Japanese proposal for funds destined for the development of Fukien. It will require large sums of money for Japan to step into Germany's shoes in Shantung, and follow out the same trade policy from Tsingtau, and it is safe to assume that she would seek in vain for financial assistance in Europe or America for the development of such schemes. China has no funds of her own, and Japan is little better off. Can she carry the load of Korea, Manchuria, Inner Mongolia, Shantung, Fukien, the Kirin-Hunchun Railway, the Inner Mongolian railways, the Foochow-Nanchang and Foochow-Canton lines in addition to the South Seas, her interests in the Yangtze Valley and other minor burdens? Japan cannot finance all these schemes. The money markets of the world will be closed to her, and if she persists in such an ambitious task she will exhaust her credit, and be compelled to unload the burdens. The rulers of Japan will hardly sacrifice the country's financial position for years to come, to indulge in a Chinese adventure which can only spell ruin to her in the end. If we accept all this, then it is apparent that Japan's interests will be best advanced by restoring Kiaochou to China, on condition that the latter consents to an extension of her lease of Kwangtung, and engages to improve the Hsiao Ching-ho for the benefit of trade.—*The Far Eastern Review*.

## JAPAN AND THE SHANTUNG RAILWAY

*From The Far Eastern Review.*

The railway built by a German Company between Tsingtau and Tsinanfu, the capital of the province of Shantung, has been the bone of much contention between the Japanese and Chinese during the past month, and in the future is likely largely to figure in discussions relative to a settlement of the question of the eventual fate of the leased territory of Kiaochow. The investment of Tsingtau by the Japanese and British troops led naturally to a desire on the part of the Japanese to control such a vital means of communication with the capital of the province as was afforded by this railway; and the fact that it was the enemy's property and had been used by the enemy to transport munitions of war and men to the fortress gave them a certain amount of justification for over-riding the objections of the Chinese against occupation. China claimed from the outset that the railway was not German property under the domination of the State. She argued that it was the property of a private company in which Chinese were shareholders, and, therefore, could not be considered a prize of war, but her arguments were in vain. The Japanese had determined to occupy the line as a military necessity, and when protests began to rain upon her, defended her action on the following grounds—which were set down in a note from the Japanese Legation to the Chinese Government:

"The Shantung Railway concession was based on the concession granted to the German Government in the Kiaochow Convention of 1898. It is entirely and purely a German company, possessing the nature of public property under direct control of the German Government, and is in reality a part of the Leased Territory, being an extension of it. According to the company's Articles of Association and the Charter of the German Government under which it is worked, it is proved that it is a German company. The above facts are indisputable. In view of the manner in which the railway is working it is impossible for it to be divided up, and the fact that a section of the line running to the west of Weih sien lies within neutral territory cannot alter the original status of the railway, which still remains German. The Japanese Imperial Government having in view the complete demolition of the enemy's base at Tsingtau, in pursuance of the declaration of war against Germany, is quite justified in taking possession of the railway as it constitutes an indivisible part of the Leased Territory of Kiaochow. This can be accomplished without the matter being referred to the Chinese Government, but to avoid any misunderstanding and to avoid any chance of conflict with the local authorities, the Imperial Japanese Government has acquainted the Chinese Government of her intentions, and requests that China make such arrangements as will allow this to be done without further delay."

In explaining her views regarding the railway Japan pointed out that "The Shantung Railway cannot be regarded as neutral, and Japan's action in taking possession of it does not amount to a violation of China's neutrality. The proclamation of the Chinese Government defining the war zone does not in any way alter the nature of this railway's special status. The question of the war zone and the standing of the Shantung Railway are two separate problems and of a different nature. It was insisted by the

Chinese Government that there is now no actual connection between Tsingtau and the railway line, owing to the investment of that place by Japanese military forces, and that there is no opportunity on the part of Germany to utilize the railway. But viewed from a Japanese military standpoint, governed by the situation in Shantung, it would indeed be very dangerous to leave in the hands of the enemy the section of the railway west of Weih sien—just in the rear of the Japanese forces. It would be strategically impossible to permit such a thing. Examples are not lacking that the Chinese Government could not restrain the Germans from utilizing the railway for warlike preparations and operations."

Upon these reasons Japan pursued her policy of establishing military guards along the railway as far as Tsinanfu, and installing a staff of trained railway men transferred from, it is stated, the South Manchurian railway system; and China has acquiesced in the occupation only under the strongest protest. The insistence by Japan of her right to occupy this railway caused considerable alarm in Chinese circles, and a certain amount of agitation was developed which culminated in members of the State Council at Peking interpellating the Government as to its policy regarding Shantung and the so-called "Japanese invasion." High officials, however, kept their heads, and paid no heed to the jingoistic utterances of some of the military representatives in the Council. The President and his immediate supporters all recognized the futility of resisting by force the violation of China's neutrality. They have painful knowledge that the Exchequer is empty of funds, and that the army is neither large enough nor equipped well enough even to hope to cope successfully with the force which the Japanese could employ by land, to say nothing of the possible operations from the sea; and for those reasons Chinese agitators wasted their breath in vain. The Government decided upon its line of policy immediately the European war showed signs of affecting this quarter of the globe, and that policy was simply to suffer "the slings and arrows of outrageous fortune"; to protest against any encroachment upon China's neutrality, and to trust in justice being done at the end of the war. Moreover, the Government is willing for the time being to give Japan the benefit of the doubt by trusting that she really means to stand by her undertaking to respect the integrity of China. The Chinese man in the street thinks contrariwise. He holds the opinion that Japan has come into the province of Shantung to see and to conquer—and thence to spread what he calls "the continental policy." Only the future can tell whether there is wisdom in the man in the street of China, but it is only fair that Japan should at the moment be credited with the highest and best motives in her actions in Shantung.

The rights under which Germany built her fortress at Tsingtau and constructed the railway from Tsingtau to Tsinanfu were embodied in the Convention signed at Peking on March 6, 1898. The Chinese Emperor then engaged, while reserving all rights of sovereignty in a zone of 50 kilometres (100 Chinese li) surrounding the bay of Kiaochow at high-water, to permit the free passage of German troops within this zone at any time, and also



agreed to abstain from issuing any ordinances therein without the previous consent of the German Government. At the same time, "with the intention of meeting the legitimate desire of His Majesty the German Emperor, that Germany, like other powers, should hold a place on the Chinese coast for the repair and equipment of her ships, for the storage of materials and provisions for the same, and for other arrangements connected therewith, His Majesty the Emperor of China cedes to Germany on lease, provisionally for ninety-nine years, both sides of the entrance of the Bay of Kiaochow. Germany engages to construct, at a suitable moment, on the territory thus ceded, fortifications for the protection of the buildings to be constructed there and of the entrance to the harbor."

In Sections 2 and 3 of the Convention the Chinese Government sanctioned "the construction by Germany of two lines of railway in Shantung, the first to run from Kiaochow to Tsinanfu and to the boundary of Shantung Province, via Weihsien, Tsinchow, Pashan, Tsechuen and Sui-ping; and the second to connect Kiaochow with Chinchow, whence an extension will be constructed to Tsinan through Laiwuhsien." It was stipulated that a Chino-German company should be formed to carry out this work; the profits derived from the working of the railways to be "justly divided pro rata between the shareholders without regard to nationality."

In addition to these specific railway rights—which were enlarged by an agreement signed at the end of 1913, and a further agreement signed on June 24, 1914—the Chinese Government agreed to German subjects holding and developing mining property for a distance of 30 li from each side of the railways and along the whole extent of the lines, but these rights were subsequently modified when the extension of the railway agreement was negotiated. Germany, however, had the dominant voice in the province of Shantung with regard to the employment of foreign capital, the Convention setting out: "The Chinese Government binds itself in all cases where foreign assistance in persons, capital or material, may be needed for any purpose whatever within the province of Shantung, to offer the said work or supplying of materials in the first instance to German manufacturers and merchants engaged in undertakings of the kind in question. In case German manufacturers and merchants are not inclined to undertake the performance of such works or the furnishing of materials, China shall then be at liberty to act as she pleases."

In pursuance of this Convention the German Government granted to a German company known as the Schantung-Eisenbahn-Gesellschaft a charter dated June 1, 1899, for the construction and operation of a railway from Tsingtau to Tsinanfu. The charter stipulated that "the construction and maintenance of the railway shall be proceeded with by a German-Chinese company," the management of the railway to be domiciled in Tsingtau, and the completion and opening of the line from Tsingtau to Tsinanfu to follow within a period of five years. German material was to be used as far as possible in the construction and equipment of the railway. It was stipulated that the company "shall pay a contribution from the yearly net profits of the railway to be applied to the expenditure of the Government for the harbor works in the Bay of Kiaochow and also to the general running expenses of the Protectorate," such contributions to be "the twentieth part of any surplus over 5 to 7 per cent., the tenth part of any surplus over 7 to 8

per cent., the fifth part of any surplus over 8 to 10 per cent., the third part of any surplus over 10 to 12 per cent., and the half of any surplus over 12 per cent." The German Government reserved the right to purchase the railway after the end of sixty years.

In addition to the railway from Tsingtau to Tsinanfu, the only one so far constructed, the Germans recently concluded an agreement with the Chinese Government whereby a line was to be built connecting Tsingtau with Hsuechowfu, on the Tientsin-Pukow Railway, and another line extending from the Yellow River near Tsinanfu to a point to be decided by survey on the Peking-Hankow Railway. To this agreement no effect has been given, and what will become of it in the future remains to be seen. In the meantime the contention between Japan and China is confined to the Tsingtau-Tsinanfu line, the situation at the moment being that Japan has control of it under protest from China. Japan will no doubt operate the railway as efficiently as the South Manchurian Railway is operated, and the bridges which were blown up by German employees of the line before their departure will soon be rebuilt and a restoration of traffic effected. Hitherto the administration of the railway was in the hands of the Germans, and by its temporary transference to the Japanese China actually loses nothing—except a little "face."

## RUSSIAN RAILWAY PROJECTS.

The acquirement from China by Russia of the right to construct a railway from Blagoveshchensk, on the left bank of the Amur River, to Aigun, Mergen, and Harbin, with a connection between Mergen and Tsitsihar, is of great importance politically to Russia and commercially to North Manchuria. Commercially it taps large and rich tracts of territory and gives immediate access to the Amur River and to the New Amur Railway now being opened on the left of the river, and with which Blagoveshchensk is connected. Politically it binds this region to Russia, and gives her at least railway dominance over the whole of North Manchuria. She now has the railway from Vladivostok through Manchuria and on to Russia, and has nearing completion the railway traversing her own territory from Vladivostok north of the Amur to Karimska, where it junctions with the Siberian Railway. The railways she has now secured the right to build will permit her to place the important centre of Harbin, with its direct connection southwards, in immediate touch with trade avenues which will tap the large and, it is reported, resourceful territory of the Amur. Above all it places in the hands of Russia what is the northern section of the projected railway from Chinchow to Aigun, about which there was so much pother some years ago. Americans hold the right from China to build the Chinchow-Aigun Railway, but in recent times the southern half of it, or practically the southern half of it, has been granted to Japan by China, and now Russia has obtained the right to cover the northern section. This seems to be tantamount to the theft of a man's clothes while he is asleep in the sun after a bath—though it is folly for any man to risk sleeping under such conditions without keeping a taut string on his habiliments.—*The Far Eastern Review*.



## THE ENGINEERING SOCIETY OF CHINA

*Address of President A. C. Clear at the opening meeting  
in Shanghai.*

Mr. Clear said that many engineering schemes had been mooted in the past year for the opening up of China. The duration of the war and its effect on world finance would inevitably delay some of these schemes, but there was good reason to believe that upon its conclusion they would be vigorously pressed.

"One of the first and possibly most striking of the developments which have occurred during the last twelve months is the establishment of a National Irrigation and Water Conservation Bureau at Peking. Until the establishment of this bureau any conservation work required was carried out only with regard to local needs, the result being that much patchwork was done, which every year became more difficult to maintain and which at the crucial moment failed, as the almost annual record of floods has proved. The work of the bureau is to centralize and direct local efforts along the lines of a comprehensive scheme to secure permanent protection, and also to supplement such local effort by government assistance on larger schemes."

The most prominent at present was the Huai River Conservancy, the men responsible for dealing with which vast problem were the men best fitted to supply it with every chance of its successful operation. By efficient drainage under this proposal some 17,000 square miles of rich agricultural land would be rendered immune from the devastation caused by constantly recurring floods. Consequently many thousands of human beings now so often rendered homeless and devoid of food would, upon completion of this work, be able to live in comfortable prosperity.

Instead of only two harvests in every five years, which is the present low average, bi-annual crops might be expected. Should the scheme prove a feasible one there would appear to be little doubt about it being carried out, as its magnitude, from an engineering and philanthropic point of view, was such that would especially appeal to the Red Cross Society of the American nation, which had undertaken to provide the necessary funds.

"The canals and waterways of China and their conservation has been a subject of great interest and admiration, not alone to members of our own profession, but to travellers of all nations, and all times. \* \* \* Probably in no other branch of engineering does neglect have such disastrous results as in waterways, and where, as in China, the solid matter held in suspension in the water is so considerable, the results are proportionately worse owing to the abnormal silting which takes place. Conservancy engineering has not always been a decadent profession in China, for more than 4,000 years ago a conservancy engineer was called upon to serve as Emperor, as an appreciation and reward for the inestimable benefits that he had conferred upon mankind."

Another step of considerable importance was the decision of the government to further the development of China's natural resources, as evidenced by the Standard Oil Company agreement for the exploitation of the North China oil fields, signed in February of the present year. These oil fields were stated to be of enormous value. The following figures were instructive in this connection. During 1912 the imports of kerosene oil into China from all sources, America, Sumatra, Borneo, Russia, Burma and Japan (to put them in order of the importance of supply) exceeded 198,000,000 gallons of a total value of some Hk.

Tls. 25,000,000. Through the revenue to be obtained from this source alone the economic changes that might be brought about were considerable.

"The mining regulations promulgated by the Chinese Government during the period under review may be considered as another expression of a desire to take advantage of her resources. Mining regulations have been drawn up in the past at frequent intervals, but never have they so closely approximated to what is needed. They are still not altogether satisfactory, being somewhat arbitrary and incomplete, and give evidence of having been affected by those not fitted to fully appreciate the technicalities of the subject. According to the most recent statistics available the following are the principal metals imported into China during the year 1912:

	Parcels.	Value. Hk. Tls.
Iron _____	2,170,000	7,070,000
Copper _____	122,000	3,529,000
Tin _____	235,000	2,950,000
Steel _____	117,000	1,043,000
Lead _____	105,000	650,000

"Although comparatively little is known of the mineral resources of China, there is sufficient evidence that the metals enumerated above could be found, and found in abundance. \* \* \*

"The figures given, totaling some 15¼ million taels, are instructive, and should assist in firing the imagination towards fuller development, thus bringing many more millions into China's treasury.

"Another great industry that with modern methods and machinery will tend toward China's prosperity, and of which there is no doubt as to its value, is coal.

"The output from mines already open is well over 12,000,000 tons per annum of about \$100,000,000 value, the majority of this being used in the country, as only 680,000 tons were exported in 1912 of a total value of Hk. Tls. 3,350,000; during the same year 1,500,000 tons were imported of a total value of Tls. 8,000,000. With the provision of better means of communication and transport, the resources of the country in this direction are practically unlimited. So far mining development has been considerably hampered by the action of some of the Provincial Governments in over taxation, by the antiquated methods of mining adopted in many instances, by lack of means of transport, but principally by the restrictions placed upon foreign capital, without which it is impossible for the heavy initial outlay to be met."

Turning to railways which loom largely in the development of the country, Mr. Clear said that at no period in Chinese history had so many agreements for their construction been completed as during the last twelve months.

The first in order of signature of agreement was the Pukow-Sinyangchow Railway. This together with the Shanghai-Nanking, the Shanghai-Hangchow-Ningpo and Canton-Hankow Railways was included under a concession obtained by the British and Chinese Corporation in 1896, when a preliminary agreement was entered into, upon the understanding that the final terms should await those of the Shanghai-Nanking Railway, and be drawn up similarly.

It was not until July, 1903, that the Shanghai-Nanking

Railway agreement was signed. It was then decided to construct the Tientsin-Pukow Railway before concluding arrangements for this cross country line, and not until 1912 were negotiations resumed. The agreement was signed on November 14, 1913.

"The survey is now clearly complete and construction work had actually commenced when war for the fourth time in this railway's history has put a temporary stop to further construction work. The line starts from Wu-I on the Tientsin-Pukow and connects up with Sinyangchow on the Peking-Hankow Railway, a distance of approximately 260 miles. The country traversed is a rich agricultural district with practically no other means of communication or of transport than that supplied by carts. China carts on Chinese roads are, under the best of circumstances, a slow and unsatisfactory means of transport for goods, and for passengers, possibly painful might be added. In addition to a heavy grain traffic there are considerable coal deposits existing in the near neighborhood of the line which may be developed to the benefit of the railway both from its own fuel supply and as an item of freight. There is every possibility that this railway will affect the future of Shanghai as it opens up a large tract of practically untouched country, and given better means of communication across the Yangtze at Nanking than at present exists for the handling of goods traffic in bulk, a great deal should find its way into our local markets."

The Nanking-Nanchang-Hunan Railway would connect with the Shanghai-Nanking Railway at Nanking and extend through Nanchang, joining the great Canton-Hankow trunk line either through Pingsiang at Chuchow or possibly direct with Changsha. The line would traverse Anhui and Kiangsi, provinces rich in agricultural produce and in minerals, particularly in coal. The agreement for this railway was signed on March 31 of this year and the preliminary survey work had recently been started. The length of main line is approximately 650 miles.

One small railway which amongst its mightier brethren might easily pass without notice but would be of considerable local importance was the junction line at present being surveyed between the Shanghai-Nanking and Hangchow-Ningpo Railways.

This small junction would overcome some of the disadvantages under which the Shanghai-Hangchow-Ningpo Railway was at present laboring more particularly with regard to the terminal station at Shanghai. The present difficulties attending the transport of goods by this route afforded a good illustration of similar difficulties to be overcome in the transport of goods from the interior to the coast.

"From the Yangtze through the Poyang Lake and a magnificent series of waterways runs one of the great trade routes. Water-borne traffic on this route is interrupted at Yushan by a range of hills marking the border line of Kiangsi and Chékang provinces. These hills necessitate a laborious carry over of some 30 miles to Changshan where boats are again requisitioned to convey the produce another stage upon its journey down the Tsinglong River to Hangchow. There the trade route diverges to Soochow, Wusieh, Shanghai and other towns. The great sea wall which runs unbrokenly from below Hangchow to the sea, whilst forming a barrier to hold the salt water of the Tsinglong river in check, obtrudes another obstacle to the transport of water-borne cargo proceeding inland. Goods are, therefore, once more discharged, and prior to the building of a railway, were loaded again into boats which literally fought their way through the narrow waterways of the city to the more open waters of the Grand Canal. This passage through the city was still further complicated by boats laden with produce from the towns previously mentioned, coming in the opposite direction. Knowing the "each man for himself" tactics of

the Chinese boatman and the persistent power of his boat-hook, the wonder is, not that this short journey through the city of seven miles took one month for its accomplishment, but, that it was ever accomplished.

"To obviate this delay a railway was constructed from Zakhow on the Tsinglong River to Konsenchiao on the Grand Canal to serve as a carry over between the two waterways and is now very fully occupied in the transport of native goods.

"The railway known as the Shanghai-Hangchow-Ningpo Railway was connected to this short carry over piece of line, but owing, as previously stated, to the unfortunate position of the Shanghai terminus station, a very small proportion of the goods traffic is rail-borne to Shanghai. The junction line now being built will tend to remedy this objection by bringing the goods into closer touch with the markets of Shanghai."

A short line similar to that from Zakhow to Konsenchiao was also projected on the borders of Chékang from Yushan to Changshan. The boats would be better off eventually than they had ever been by acting as feeders to the railways and instead of doing a few long laborious trips each year, often under heart-breaking conditions, with interminable delays, many short trips could be made that would pay much better. Such combination of waterways and railways would result in ideal transport facilities.

#### THE GROWTH OF SHANGHAI.

Turning to Shanghai, Mr. Clear emphasized that the business of Shanghai entitles it to rank as the commercial center of China. The railways now converging on Shanghai would considerably increase trade, and in addition, there were many local industries developing in its neighborhood. Mr. Clear then quoted from the recent article in the "North China Daily News" showing that during the first three months of the present year, 2,394 houses were under construction, a number far in advance of the record for a similar period, viz., 1,350 in the first three months of 1906; and the estimate that the number of houses erected in Shanghai this year would reach 9,600, with the probability that this estimate would be exceeded.

Beyond this immediate local development it was also within the range of practical politics to see the development of Shanghai as a great shipping port with a continuous line of busy wharves and docks, stretching from Woosung to Shanghai, in direct railway communication with one of the wealthiest regions of China, one capable of producing vast quantities of cereals, coal, minerals of all descriptions, silk, cotton, tea, etc., etc., all of which would materially assist in building up an export trade so badly needed. The exports needed to be fostered, they might safely leave the imports to their respective countries.

"To go one step further the future of Shanghai largely depends upon the conservancy of the Huangpu. With the work already carried out and the far reaching proposals for the future, which are steadily being brought into practice, we may rest assured that this essential feature will not be lacking in the day of need. In conclusion, gentlemen, I would remind you that we, engineers, are the men upon whom the brunt of the actual work of development will fall, and when in the numerous proposals that spring up mushroom-like over the length and breadth of this great country, we see any real sign or hope of progress it is our duty not to submit these to that easiest of all, destructive criticism, but accept the harder task of selecting those proposals which are substantial and good, using all the influence we can command to construct from these something that will be of general benefit not only to this country but to the whole world."

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